THÈSE

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BASE DE LA PYRAMIDE ET RESPONSABILITÉ SOCIALE DE L'ENTREPRISE : POURQUOI ET COMMENT ILS INTERAGISSENT

BASE OF THE PYRAMID AND CORPORATE SOCIAL RESPONSIBILITY: WHY THEY INTERACT AND HOW

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A ma famille

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[1] Voire d'exaspération devant les limites de ma maitrise de la langue anglaise lorsque le système de correction de mon logiciel de traitement de texte mentionnait : « Fragment (consider revising) »

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Table of Contents

List of Figures

List of Tables

RESUME EN FRANCAIS

Fin 2015 marque la concrétisation de négociations internationales qui visent à apporter des réponses aux enjeux sociaux et environnementaux majeurs auxquels la planète fait face. D'une part, l'adoption en septembre des nouveaux Objectifs du Développement Durable (ODD) par les Nations Unies renouvelle l'engagement international d'éradiquer la pauvreté sous toutes ses formes[1]. D'autre part, la conférence de Paris sur les changements climatiques (COP21) est qualifiée de cruciale pour trouver un accord international qui permettra de limiter le réchauffement climatique en dessous de 2°C[2]. Au-delà du caractère hautement politique de ces accords mondiaux, le secteur privé, et plus particulièrement les entreprises multinationales, sont sommés d'y contribuer. Loin d'être perçus seulement comme une contrainte, plusieurs entreprises s'engagent de manière volontaire, motivées par l'idée que la responsabilité sociale d'entreprise (RSE) représente aussi une source d'opportunité économique.

Depuis près de vingt ans, un nombre croissant de multinationales entrevoit la possibilité de trouver des opportunités de croissance en ciblant les besoins des consommateurs à faible revenu, tout en contribuant à réduire leur pauvreté. Cette promesse a été portée par C.K. Prahalad autour du concept de base de la pyramide (BoP), en référence aux 4 milliards de personnes qui vivent avec moins de 3 000 dollars par an en parité de pouvoir d'achat (Prahalad & Hart, 2002). Un tel objectif de création de valeur à la fois économique et sociale parait particulièrement délicat à atteindre, notamment au regard des premières initiatives BoP que certaines entreprises ont reléguées au statut d'activité philanthropique ou simplement arrêtées. Tandis que certains auteurs rappellent la nécessité de considérer ces initiatives comme une activité commerciale traditionnelle (Simanis, 2012), d'autres exhortent les multinationales à y intégrer les valeurs éthiques centrales de la RSE (Davidson, 2009). Plus récemment, des universitaires en stratégie tels que M. Porter ont clairement mobilisé les initiatives BoP pour illustrer une source de création de valeur partagée (Porter & Kramer, 2011), réaffirmant ainsi l'évolution récente du concept de *business case* de la RSE (Carroll & Shabana, 2010). Cependant, il n'existe pas encore de cas d'initiatives BoP qui témoignent de la capacité des multinationales à créer simultanément de la valeur économique et sociétale.

[1] https://sustainabledevelopment.un.org/post2015/transformingourworld
[2] http://www.cop21.gouv.fr/en/cop21-cmp11/what-cop21-cmp11

L'objet de la thèse est de revenir sur l'interaction entre les stratégies à la base de la pyramide et la responsabilité sociale d'entreprise. La thèse aborde plusieurs questions. Tout d'abord, pourquoi les entreprises multinationales continuent-elles d'investir dans des initiatives BoP qui évoluent dans un contexte sensible de double création de valeur économique et sociétale ? Ensuite, comment les initiatives BoP peuvent-elles croître en interne si tant est que l'entreprise les considère comme de véritables opportunités de croissance ? Enfin, comment l'entreprise peut-elle rester légitime à l'externe en ce qui concerne son objectif déclaré de création de valeur sociale ?

Pour répondre à ces questions, la thèse s'appuie sur un partenariat de recherche initié en septembre 2011 avec Schneider Electric. Cette multinationale française, spécialiste de la gestion de l'énergie, a initié en 2009 un programme d'accès à l'énergie, au sein duquel j'ai été intégré. Au cours des six dernières années, l'initiative BoP a connu une croissance significative et déclare avoir contribué à l'accès à l'énergie de 2,3 millions de foyers à faibles revenus par la commercialisation d'offres adaptées ; investi dans 12 PME et entreprises sociales actives dans le domaine de l'accès à l'énergie ; et créé près de 40 programmes de formation professionnelle aux métiers de l'électricité ayant eux-mêmes permis de former plus de 73 000 jeunes.

La thèse est composée de trois chapitres combinant des cadres théoriques issus de la littérature en économie du développement, sur la RSE et les stratégies BoP, sur le contrôle de gestion et sur la théorie institutionnelle. Les trois chapitres constituent autant de nouvelles études de cas liées aux trois questions de recherche qui ont fait l'objet de communications lors de conférences et de séminaires de recherche.

Le premier chapitre explore les raisons sous-jacentes de la poursuite des initiatives BoP par certaines entreprises. L'étude s'appuie sur une étude de cas multi-site de 7 entreprises multinationales, ainsi que 17 de leurs projets qui témoignent de 15 années d'expérimentation. Il est montré que ces entreprises ont toutes repositionné la proposition de valeur de leurs initiatives BoP au sein même des politiques de responsabilité sociale. Cette logique permet de différencier une typologie de justification des investissements concédés, par la capture d'un large spectre de bénéfices économiques indirects et de retours extra-financiers (Kurucz, Colbert, & Wheeler, 2008). Le cadre conceptuel différencie ces trois « business case » pour les stratégies BoP :

- Un business case de *différenciation* vise en premier lieu à construire une licence d'opérer et à améliorer les relations institutionnelles de l'entreprise. Dans une logique de différenciation de l'entreprise en termes d'inclusion sociale, un projet BoP typique sera inscrit dans un contrat de délégation de service publique plus important.

- Un business case d'*innovation de produits et de modèles d'affaire* aura pour principal objectif d'incuber un renouveau stratégique au sein de l'entreprise tout en améliorant sa réputation sur le plus court terme. Les projets BoP vont alors développer et déployer de nouvelles propositions de valeurs dans une logique de recherche et développement.
- Un business case de *segment de marché des consommateurs à faibles revenus* recherche en premier lieu de nouvelles pistes de croissance profitable pour l'entreprise. Les projets BoP commercialisent des produits adaptés afin de capturer ce segment inexploité des consommateurs à faibles revenus et accroître la part de marché de l'entreprise.

Les résultats de l'étude de cas multi-site mettent en avant la possibilité pour ces stratégies BoP de passer d'un business case de différenciation à celui d'incubation, puis d'incubation à celui de segment de marché. Un élément décisif dans l'évolution de ces initiatives réside dans la revalorisation même de la politique RSE au sein de la stratégie de l'entreprise.

Le second chapitre s'intéresse aux problématiques internes à l'entreprise pour faire passer une initiative BoP d'un statut d'incubation et donc quelque peu protégée, à celui d'opportunité commerciale traditionnelle. L'analyse s'appuie sur l'étude longitudinale du programme d'accès à l'énergie de Schneider Electric de 2011 à 2015. Il est montré que le programme a bénéficié d'un changement parallèle de la politique de responsabilité sociale par l'intégration du dilemme énergétique mondial au cœur de la stratégie commerciale de l'entreprise. Deux facteurs de déclenchement ont contribué à la transition de l'initiative BoP. D'une part, un changement organisationnel, notamment basé sur la création d'incitations financières, a permis d'inclure les opérations commerciales locales à la gouvernance du programme d'accès à l'énergie. D'autre part, tandis que le programme se développait, la direction de l'entreprise l'a reconsidéré comme une opportunité commerciale à proprement parler en fixant de nouveaux objectifs de ventes particulièrement ambitieux. L'étude longitudinale analyse les processus correspondant à ces facteurs de déclenchement. Les barrières organisationnelles ont notamment pu être surmontées par la mise en place de systèmes de contrôle de gestion interactifs et de boucles d'apprentissage (Simons, 1995).

Le troisième chapitre se focalise sur la « redevabilité » et la légitimité des stratégies BoP en matière de création de valeur sociétale à travers l'analyse de l'implication externe de Schneider Electric dans le secteur de l'investissement d'impact. Une démarche de recherche-action, lors de la création du second fonds d'impact sponsorisé par l'entreprise, a permis d'étudier les pressions institutionnelles exercées par ses autres investisseurs et a contribué à l'élaboration d'une procédure de suivi de la performance sociale des investissements. Il est démontré que l'équipe de gestion du fonds a ainsi développé la capacité de rendre compatible des logiques potentiellement contradictoires qui visent à atteindre simultanément un objectif de rentabilité et de création de valeur sociétale. Le chapitre met en lumière l'émergence d'un cycle de réponses à ces pressions institutionnelles, qui passe d'une conformité passive, motivée par les valeurs personnelles de l'équipe de gestion, à une approche davantage résistive, par la recherche de compromis avec ses investisseurs (Oliver, 1991).

La thèse conclut sur la capacité des entreprises multinationales à gérer ce double objectif de rentabilité et de création de valeur sociétale des stratégies BoP et souligne l'importance de s'intéresser désormais à l'interaction, voire l'interdépendance de ces deux composantes, en proposant quelques pistes de réflexion.

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INTRODUCTION

Year 2015 appears critical for the global agenda. On the one hand, 193 world leaders formally adopted an ambitious new sustainable development agenda for the next fifteen years. This post-2015 agenda crystallized around 17 Sustainable Development Goals (SDGs) and for which poverty eradication by 2030 is considered as the greatest challenge[1]. On the other hand, the 21st session of the Conference of the Parties (COP21) to the United Nations Framework Convention on Climate Change (UNFCCC) is said to be crucial "to achieve a new international agreement on the climate, applicable to all countries, with the aim of keeping global warming below 2°C"[2]. Beyond these highly political commitments to tackle global social and environmental stakes, the contribution of the private sector and more specifically multinational corporations (MNCs) is encouraged by these stakeholders. Far from being perceived solely as an institutional pressure, some firms embark on a voluntary basis in the development agenda, driven by the idea that their Corporate Social Responsibility (CSR) yields business opportunities.

For about two decades, an increasing number of multinational corporations have embraced the possibility to find growth or strategic opportunities by targeting low-income consumers' needs, while contributing to alleviate their poverty. This promise was popularized by C.K. Prahalad and other management scholars around the concept of Bottom (or Base) of the Pyramid (BoP), referring to the 4 billion people living with less than 3,000 dollars per year in purchasing power parity (Prahalad & Hart, 2002). This combined economic and societal value creation objective appears difficult to reach as some firms have relegated their BoP initiatives to philanthropy or simply dismantled them. While some authors argue that BoP strategies must be considered fundamentally as a business (Simanis, 2012), others urge MNCs to incorporate the core ethical dimension of corporate social responsibility (Davidson, 2009). More recently, strategy scholars as Porter and Kramer (2011) specifically mobilized BoP strategies as a source of "shared value creation", reasserting the recent evolution of the business case for CSR. Nevertheless, no clear proof of a dual financial and social value creation has been reported so far for BoP initiatives.

The goal of this dissertation is to revisit the interaction between Base of the Pyramid strategies and Corporate Social Responsibility. The thesis explores why multinational corporations pursue their investments in BoP initiatives facing a particularly complex objective to achieve societal

[1] https://sustainabledevelopment.un.org/post2015/transformingourworld
[2] http://www.cop21.gouv.fr/en/cop21-cmp11/what-cop21-cmp11

and economic value creation. It further studies how firms considering BoP as a business opportunity can manage their internal scale-up, while remaining externally legitimate on their declared objective to create societal value. To answer these questions, the dissertation builds on a four-year research partnership with Schneider Electric, a global leader in energy management, which initiated in 2009 an Access to Energy program. Over the past six years, the BoP initiative testified for a significant growth, and commercialized energy products and services to give access to more than 2.3 million low-income households; invested in twelve SMEs and social enterprises active in the energy access space; and created close to 40 vocational training programs in electricity trades reaching more than 73,000 young people trained (Schneider Electric, 2015).

The dissertation is based on three essays. The first essay explores the underlying reasons for pursuing BoP strategies. It is shown that some companies have repositioned their value proposition in the corporate social responsibility (CSR) strategy. This logic opens a full range of financial and extra-financial returns to justify the conceded investments, beyond the sole generation of profit. The analysis is carried out through a case study over seven MNCs on fifteen years of experimentations. The second essay discusses the internal challenge for moving a BoP initiative, somewhat protected, towards a business as usual profitable project for the company. This analysis is based on a longitudinal case study of Schneider Electric and its Access to Energy program. The BoP initiative initially benefited from the reformulation of the CSR strategy along core values to face the global energy challenge. As the initiative developed, growth and performance objectives were assigned. The essay analyzes the corresponding process. The organizational barriers to successfully overcome this strategic change are identified and related to the management control in place in the company. The third essay addresses the accountability and legitimacy of BoP activities through the analysis of the company's external involvement in the impact investing industry. It is shown that the investment management team of this external fund has developed the ability to make compatible potential conflicting institutional demands to simultaneously achieve profit and create societal value, through the integration of performance-oriented management procedures.

This introduction first outlines the increasing role taken by multinational enterprises upon global societal stakes such as poverty through their responsible strategies and subsequently details the research questions. Then it presents the research context and the methodology mobilized in the dissertation. It concludes with a presentation of the main contributions of the dissertation.

1 Poverty, Base of the Pyramid and Corporate social responsibility

This first section introduces the progressive shift in the vision of solutions to global poverty which increasingly adopted a market-based perspective. Then it focuses on Base of the Pyramid strategies as an opportunity for multinational enterprises to step in this global agenda. Finally, it reviews the literature on Corporate Social Responsibility, on a motivation and a performance standpoint.

1.1 Development and market-based solutions

1.1.1 Changing views on poverty and solutions to development

Populations living in extreme poverty and deprivation are among the most vulnerable. One might notice a progress in poverty reduction. By 2011, global extreme poverty had declined to 17 percent compared to 43.6 percent in 1990, leaving still more than 1 billion people confined to live on less than $1.25 a day (World Bank, 2015). In late 1990 a fundamental shift occurred in the conceptualization of poverty, away from an income perspective, to a more multidimensional phenomenon. Multidimensional poverty is made up of several factors that constitute poor people's experience of deprivation. Tackling poor health, lack of education, inadequate living standard, lack of income, disempowerment, poor quality of work or threat from violence would contribute to gaining "capabilities" (Sen, 1992). in 2014, more than 2.2 billion people – more than 15 percent of the world's population – are either near or living in multidimensional poverty (UNDP, 2014). This multidimensional view can be found in many World Bank reports and is central to the Millennium Development Goals (MDGs) and the newly established Sustainable Development Goals (SDGs), where income poverty is now apprehended but as one factor alongside hunger, education, water, sanitation or energy. It is noteworthy that In 2011, the United Nations Development Program highlighted how continuing failure to slow the pace of global warming could jeopardize poverty reduction, because the poorest communities are also the most vulnerable to consequences of climate change such as the rising temperatures and seas (UNDP, 2011).

The solutions for poverty eradication and development fit in a longstanding ideological debate between two economics schools (Banerjee & Duflo, 2011). On the one hand, economists like Sachs argue that poor populations face endemic problems such as soils infertility or diseases that contain them into a "poverty trap" (Sachs, 2005). The only possible way is to redistribute wealth from developed to developing countries through aids that specifically address these challenges. On the other hand, tenants of a liberal-inspired approach as Easterly (2001) and Moyo (2009) highly criticized development aid in its perpetuation of dependent institutions and corrupted governments. According to them, a free market will lead to broader economic growth and as a consequence to poverty alleviation. However, low-income populations also face market failures that preclude them from development notably in areas related to education, healthcare and credit (Stiglitz, 1989).

As a consequence of this shift towards a broader definition of poverty and the perceived inefficacy of modernization and dependency approaches to reduce poverty, a growing number of development actors have been promoting pro-poor growth at a microeconomic scale (Banerjee & Duflo, 2011). The OECD (2006) defines it as "a pace and pattern of growth that enhances the ability of poor women and men to participate in, contribute to and benefit from growth." This was accompanied with an emphasis on market based solutions to better include low-income people to the traditional economy both as consumers and producers (Mendoza & Thelen, 2008). While this approach is not new, as international development organizations and NGOs have been focusing on developing business skills of farmers or entrepreneurs for a long time (World Bank, 2005), one can notice a recent focus on private actors that find innovative solutions on the ground to overcome market and government failures (Cooney & Shanks, 2010).

1.1.2 A new landscape of social innovation actors

A whole new field of private actors has emerged adopting commercial purposes to achieve societal objectives such as poverty alleviation, health and education provision or climate change resilience. The term "social innovation" has been mobilized to describe business ventures that can take "community needs as opportunities to develop ideas and demonstrate business technologies, to find and serve new markets, and to solve long-standing business problems" (Kanter, 1999). The proliferation of sometimes overlapping terminologies such as "social enterprise," "social entrepreneurship," and "social finance" might blur the understanding of the social innovation field, but highlights the emergence of a new industry and new types of actors all across the value chain, from investment to field implementation.

Social enterprises (Dacin, Dacin, & Tracey, 2011; Mair & Marti, 2006; Seelos & Mair, 2005) and microfinance organizations (Battilana & Dorado, 2010; Bédécarrats, 2013) have taken the lion's share among academia. They redefine the objective of commercial organizations from maximization of shareholder and financial value to maximization of stakeholder and societal value while ensuring economic self-sustainability. Despite the diversity of these ventures that adopt practices from both for-profit and not-for-profit sectors (Mendoza & Thelen, 2008), they all require financial resources to start-up, grow, and go to scale. In parallel of the emergence of social innovation ventures, a new class of social finance actors tries to answer their specific needs (Moore, Westley, & Nicholls, 2012). Social enterprises are no longer solely tied to grants and contracts from government agencies or foundations as primary sources of financial support. In between the traditional philanthropy and mainstream investing, the nascent "impact investing" funds are seeking "non-financial impact, typically in the form of social and/or environmental impact, and financial return, which requires at least the preservation of the invested principal but can allow for market-beating returns" (Höchstädter & Scheck, 2014, p. 12). While all the actors mentioned above are relatively new, more traditional multinational enterprises are also stepping into this new landscape of private actors tackling societal issues.

1.1.3 Changes in the role of multinational enterprises to development

A growing number of scholars have urged multinational corporations to think beyond economic returns and take a more active and expanded role in society beside public and civil society organizations resources (Ansari, Munir, & Gregg, 2012). While corporations have been often accused of being at least partly responsible for the global socio-economic and environmental problems, they are increasingly asked to use their innovation and financial capacities for providing solutions to these problems (Margolis & Walsh, 2003). The Global Compact launched in 2000 by the United Nations illustrates the emphasis on mitigating the impact of business on human rights, labour conditions, the environment and corruption. Jenkins (2005) supports the idea that the emergence of corporate responsibility as a more proactive contribution in the development agenda as to be seen in the context of the changing views of the international agencies towards a greater emphasis on the social dimension of development rather than solely economic growth.

Development agencies have come to see CSR as a way to reconcile support for private enterprise and a market-based approach with their core objective of reducing global poverty. This shift culminated in the adoption in September 2015 of the United Nations Sustainable Development Goals (SDGs) for the period 2015-2030. Unlike the Millennium Development Goals (MDGs) they replaced, the private sector has been involved in their creation, alongside civil society, academia and research institutions (UN, 2014). As a consequence, some of the new SDGs directly address the activities of the private sector: goal 8 aims at promoting sustained, inclusive and sustainable economic growth, full and productive employment and decent work for all; goal 9 promotes inclusive and sustainable industrialization. Moreover, specific poverty dimensions are addressed, which also impact broader industry sectors: goal 7 is to ensure access to affordable, reliable, sustainable and modern energy for all; goal 6 promotes the availability and the sustainable management of water and sanitation for all. Far from being solely a stakeholders' demand for MNCs to join the global development agenda, the convergence of the civil society organizations, the private and the public sector represents a unique opportunity for MNCs to further develop the markets where they operate.

For some years, the segment of the world's poorest population has increasingly gained attention in multinational corporations and received support from the development sector. This is illustrated with the recent term "Inclusive Business" promoted, for instance, by the United Nations Development Programme, which defines it as models that "include the poor on the demand side as clients and customers, and on the supply side as employees, producers and business owners at various points in the value chain" (UNDP, 2008, p. 2). This overarching concept encompasses market-based solutions tackling social issues such as Bottom (or Base) of the Pyramid (BoP) strategies.

1.2 Multinational corporations at the Base of the Pyramid

Since the early 2000's, multinational corporations have embraced the possibility to find growth or strategic opportunities by targeting poor population markets while contributing to alleviate poverty. This appealing challenge was popularized by strategic management scholars leaded by C. K. Prahalad (Prahalad & Fruehauf, 2004; Prahalad & Hammond, 2002; Prahalad & Hart, 1999, 2002). According to them, firms might deliver quality products and services to the four billion potential consumers – the so-called "Base" or "Bottom of the Pyramid" (BoP) – whose incomes do not exceed USD 3 000 per year measured in purchasing power parity. While Prahalad and Hart (2002) initially estimated that their aggregated purchasing power represented an untapped market size of USD 13 trillion, later thorough studies refined this assumption to USD 5 trillion (Hammond, Karmer, Katz, Tran, & Walker, 2007). First reviews of BoP strategies agreed on distinguishing "BoP 1.0" and "BoP 2.0" (Munir, Ansari, & Gregg, 2010; Perrot, 2010), which respectively adopt a "market capture" approach in order to increase sales and profits, or a "market creation" approach leading to disruptive innovation.

1.2.1 Capturing the fortune through a commercial approach

From a theoretical perspective, the BoP concept was built initially on a deep business rooting in the sense that "the basic economics of the BOP markets are based on small unit packages, low margin per unit, high volume, and high return on capital employed" (Prahalad & Fruehauf, 2004, p. 24). Innovation is described as a key aspect to overcome barriers that BoP populations face in the act of consuming, namely affordability, availability and accessibility. In his seminal book, Prahalad further explains that "fine-tuning current products and services and management practices [...] is a recipe for failure" (Prahalad & Fruehauf, 2004, p. 48). For instance, the initiative launched by Unilerver's Indian subsidiary, Hindustan Lever Ltd. (HLL) – now becoming famous in the literature – proposed a reformulated detergent, called Wheel, sold in single-use package and introduced it into an adapted distribution channel of small retailers, making it accessible to low-income population. According to Hart (2007, p. 143), HLL reached in 2007 a 40% share of the detergent market in India, testifying for a successful competitive advantage position of the firm. On the societal side of the BoP proposal, Prahalad argues that BoP populations will benefit from a social and economic transformation thanks to the consumption of an increased choice of products and services provided through market mechanisms. Prahalad provides some cases like the e-Choupal venture providing access to market information for rural Indian farmers through information and communications technologies leading to a greater productivity of plantations and better retail prices. However, his work remains elusive on the causal link between market inclusion and social transformation. Adopting a rather neo-liberal positioning, poverty alleviation through BoP strategies should be considered merely as a positive externality of consumption.

The initial BoP proposal faced a wave of criticism among academia highlighting that no market exists or that projects do not actually target the poorest (Karnani, 2007; Warnholz, 2007). The capacity of selling new products and services to the poor has been also rejected as a relevant poverty alleviation approach. BoP populations should be rather included into the business models in order to raise their income (Karnani, 2006). Over marketing towards poor consumers has been also denounced for bringing non essential desires rather than meeting fundamental consumer needs. As an illustration, 'Fair and Lovely' skin whitening face cream – another brand of HLL – has been highly criticized for not serving the broader social welfare of BoP populations. Arora and Romijn (2012) go one stage further in stating that the positive discourse in fighting poverty would hide unequal power relations by depoliticizing corporate interventions in the lives of the poor.

1.2.2 Creating the market through inclusive development

A second set of the literature emphasized on the societal role of BoP strategies with a focus on poverty alleviation and development impacts of business ventures. This led to the distinction of a "BoP 2.0" approach taking into account its criticisms (Ansari et al., 2012). The paradigm of the BoP concept shifted with the "BoP protocol" focusing on its capacity to economically empower low-income populations through skill building and co-venturing in a bottom-up approach (Simanis & Hart, 2008). BoP populations are not only seen as consumers but as resilient suppliers, distributors and entrepreneurs that need to be included in the value chain. Such BoP approaches focuses on cross-sector partnerships as a key condition to create markets at the Base of the Pyramid (Murphy, Perrot, & Rivera-Santos, 2012; Reficco & Márquez, 2012). Non-governmental organisations (NGOs) and social enterprises have been identified by some authors as key stakeholders in reaching population needs and building acceptance of new products and services thanks to their anchorage in social and cultural systems (Brugmann & Prahalad, 2007; London & Hart, 2004; Seelos & Mair, 2007). Internally speaking, such societal-oriented ventures will require patient capital and long-term commitment from the company (Karamchandani, Kubzansky, & Lalwani, 2011; Kennedy & Novogratz, 2011). Firms are advised to set protected BoP entities similar to an investment in R&D as a mean to operate outside traditional short term business metrics and constraining procedures (Simanis & Hart, 2008). The corporate value creation discourse shifted towards a rather long-term perspective by suggesting that BoP markets represent strategic renewal opportunities, from which innovation could also nourish saturated mature markets (Faivre-Tavignot, Lehman-Ortega, & Moingeon, 2010), while constructing companies' ethical rationale (Hahn, 2009).

Whatever a financial or societal value maximization perspective adopted for BoP strategies, one can observe a real craze from corporate practitioners. Member MNCs of the World Business Council for Sustainable Development consortium further reasserted this double value creation objective by stipulating that inclusive business "seeks to contribute towards poverty alleviation […] while not losing sight of the ultimate goal of business, which is to generate profits" (WBCSD & SNV, 2008). This reasserts the proximity of BoP strategies with corporate social responsibility, which is reviewed in the following section.

1.3 From motivations to outcomes of Corporate Social responsibility

No one can deny today that corporations are accountable towards both their shareholders and their stakeholders, either internal (i.e. their employees) or external (i.e. their clients, suppliers, civil society organizations). Since one of the first description of Corporate Social Responsibility (CSR) provided by McGuire in 1963, it has been widely accepted that "The idea of social responsibilities supposes that the corporation has not only economic and legal obligations but also certain responsibilities to society which extend beyond these obligations" (McGuire, 1963, p.144, cited in Carroll, 1991). One can also observe a proliferation of competing, complementary and overlapping concepts such as corporate citizenship, business ethics, stakeholder management and sustainability to describe the field of corporate responsibility. Nonetheless, CSR remains a dominant, if not exclusive, term in the academic literature and in business practice. In the dissertation, we consider CSR based on the definition adopted by the European Commission (2001) as "a concept whereby companies integrate social and environmental concerns in their business operations and in their interaction with their stakeholders on a voluntary basis". Therefore, we assume that CSR goes beyond complying with laws and regulations and cannot be solely assimilated to charity as it can be described in some of the Anglo-American literature. That said, one can differentiate two lines of research describing CSR, first from a motivation standpoint that looks at ex-ante normative strategic positions of the firms, and second from an outcome perspective that tries to apprehend its ex-post performance and the value it creates.

1.3.1 Corporate social responsibility motivations

Historically speaking, authors have highlighted three eras to describe the motivations for conducting CSR from an initial ethical positioning of company's leaders to an increasingly utilitarian perspective (Arjaliès, Goubet, & Ponssard, 2011; Capron & Petit, 2011; Lee, 2008). Table 0.1 illustrates the three eras of CSR strategies. First, a *Business Ethics* trend emerged in the early 1950's in the USA. Inherited from the paternalistic vision of the firm, such responsible concern is based on the personal ethics of a business leader who will pursue unexpected philanthropic initiatives after ensuring its economic and legal responsibilities (Carroll, 1979). Related activities like charity, sponsorships, or employee voluntarism actions would correspond at "doing good". As a consequence the firm would benefit mainly from an image and reputation improvement.

Second, a *Business and Society* trend emerged in the late 1970's. It positions the company as a social institution created by the society and towards which it must answer (Wood, 1991). It was characterized by Freeman's (1984) stakeholders theory which provided an operational guideline for managers to integrate stakeholders' interests within their business activities, while limiting their negative impacts on them. As an example, corporations can adopt a responsive or compliance approach to integrate and anticipate regulations and environmental constraints. More proactive mitigation of their environmental or social footprint can also lead firms to lower their costs. Such an adaptive response to stakeholders' expectations would correspond at "doing well". As a consequence companies would gain their so-called "license-to-operate" by improving their legitimacy.

A third trend has emerged since the 1990's that confronted corporations with major social and environmental global stakes. This perspective questions the role of the firms, alongside the civil society and the public sector, as an entity evolving in – and depending on – a sustainable society (Capron & Petit, 2011). Corporations are not only economic and political actors but also social actors. Referred as the *Business Case* trend (Vogel, 2006), it apprehends societal stakes as a source of strategic innovation and competitive advantage. The business case for CSR has been defined as the opportunity for a company to "perform better financially by attending not only to its core business operations, but also to its responsibilities toward creating a better society"

(Kurucz, Colbert, & Wheeler, 2008, p. 84). This definition highlights the win-win contract between corporations and the society, for which simultaneous value creation is a cornerstone. In this line of thought, Porter and Kramer (2011) coined more recently the term "creating shared value". They illustrated three main eras of applications: reconceiving products and markets to answer unmet societal needs in the global economy; redefining productivity in the value chain to mitigate footprint and save costs; or enabling local cluster development to improve local productivity and business environment. Such a restructuration of the value created between the business and the society would correspond at "doing well by doing good". As a consequence of tackling societal issues, corporations might therefore nourish their economic performance.

Far from being in opposition, those three trends rather complement. It seems fair to consider that firms' strategic choices in adopting CSR might combine ethical, institutional or economical considerations.

Table 0.1: Three eras of CSR motivations and their expected outcomes

	Business Ethics	**Business & Society**	**Business Case**
	Doing Good	*Doing Well*	*Doing Well by Doing Good*
CSR literature	- Economic, legal, ethical & philanthropic responsibility (Carroll, 1991) - CR Philanthropy (Halme & Laurila, 2009)	- Stakeholder Theory (Freeman, 1984) - CR Integration (Halme & Laurila, 2009)	- Business case (Vogel, 2006) - Creating Shared Value (Porter & Kramer, 2011) - CR Innovation (Halme & Laurila, 2009)
Actions	- Charity - Humanitarian programmes - Sponsorship - Employee voluntarism	- Eco-efficient products - Fair and balanced compensations - Diversity HR policies - Suppliers policies - Environmental certifications of facilities	- Clean technologies - Dedicated products and solutions for poor populations - Circular economy
Scope of accountability	Shareholders	Shareholders & Stakeholders	Shareholders, Stakeholders & Society
Expected Outcomes	**Image & Reputation Improvement**	**Organizational wealth**: - License-to-operate - Cost-Saving - Risk Reduction - Anticipation of legislation - Competitive advantage	**Interdependent win-win outcomes**: - New revenue streams for the company - Alleviate social or environmental problem

1.3.2 *Corporate societal performance*

The evolution towards a more opportunistic vision of CSR was also accompanied with a shift in the discussions of its macro-social effects to its organizational-level impacts on profit (Lee, 2008). An extensive part of the economic literature focused in the past 30 years on the statistical relationship between CSR and corporate financial performance (CFP), in terms of either salient profitability or improved market valuation (Margolis, Elfenbein, & Walsh, 2007; Margolis & Walsh, 2003; Orlitzky, Schmidt, & Rynes, 2003). However, the results remain inconclusive revealing a positively weak, non-significant or even negative link. Those reviews and meta-studies are also considered to analyze the CSR-CFP link as a monolith, leaving aside the complex and interrelated nature of the relationship between CSR and firm financial performance. Capron and Quairel (2006) and Cavaco and Crifo (2014) respectively on a theoretical and an empirical basis urge to dissociate the performance assessment from the three economic, social and environmental criteria in order to keep its multidimensional and potential complementary objectives. Opening the "black box" and accounting for the effects of mediating variables and situational contingencies might help in understanding the causal relationships between the implementation of CSR activities and their outcomes (Carroll & Shabana, 2010). As an illustration, Halme and Laurila (2009) suggest to assess the companies' financial and societal outcomes by analysing the way companies implement CSR, through philanthropic, integrative or innovative activities. Such an approach helps to consider firm's responsible activities that would in turn lead to the assessment of their outcomes.

A managerial perspective to apprehend CSR outcomes crystallized around the concept of Corporate Social Performance (CSP). Wood (1991) was one of the first to provide a theoretical framework suggesting causal relationships between the normative sources of CSR (i.e. the principles of social responsibility) and its results (i.e. the outcomes and impacts of performance) through the ways of implementing it (i.e. the processes of social responsiveness). The CSP perspective led several authors designing performance models (Epstein & Roy, 2001; Knox & Maklan, 2004; Weber, 2008). Based on the values, vision and drivers adopted by the firms, Epstein and Roy (2001) and Knox and Maklan (2004) detail several CSR activities that will induce a change of stakeholders' behaviours. As a consequence, the firm will benefit from revenue increases, cost reductions and risk mitigations, which in turn impact the competitive advantage of a firm and its long term financial performance. Such a careful understanding of both the drivers and the impacts of societal performance on various corporate stakeholders permits better integration of that information into the day-to-day operational decisions through feedback loops. Weber (2008) and Reed (2001) go one stage further in describing how to measure the business impact of CSR activities from a company perspective either qualitatively or quantitatively.

Reviewing the different CSP frameworks helps categorizing a rather comprehensive list of outcomes that firms might expect from their CSR activities (Weber, 2008). These benefits range from direct financial gains to indirect intangible and extra-financial gains. First, CSR activities might lead to revenue increase from higher sales and market shares, either directly through CSR-driven or market development innovation, or indirectly through an improved reputation and an increased customer affinity and retention. Second, CSR activities lead to cost savings. Substitutions of materials or waste and energy management are often cited as internal drivers for efficiency gains. Improved contacts with regulators result in time saving. Corporations can also improve their access to capital due to higher sensitivity of investors to sustainable issues as in the case of socially responsible investment (SRI). Third, CSR is often mobilized to mitigate or manage risks. Responsible commitments avoid negative press and customers or NGOs boycotts. More generally, CSR activities grant the so-called license-to-operate and helps securing contracts. Fourth, CSR activities have positive effects on employee motivation, retention, and also recruitment, either indirectly through an improved reputation, or directly by setting better working conditions or by giving the possibility to participate in CSR for instance through volunteering programs. Fifth, CSR activities contribute to improve the company image and reputation. While the social capital or the goodwill of a company might be monetized, it is nevertheless highly intangible and the result of consistent performance and communication over several years. Finally, CSR activities are also about creating societal value for communities where the firm operates. The CSP literature urges corporations to adopt a performance approach. This brings valuable operational guidelines for managers in apprehending the business case for CSR. In other words, defining mediating variables through an overall causal chain of inputs, activities, and finally outputs and outcomes has the advantage to be aligned with a business mindset and opens to a broader view of CSR benefits, beyond the sole search for direct profitability (Carroll & Shabana, 2010).

However, the CSP literature presents some limitations. First, several authors pinpoint that the theoretical CSP models that draw logical connections between intended strategies and actual outcomes have not been empirically tested. As a conclusion, all the authors call for deepened descriptive studies. Second, none of the mentioned authors discuss the potential interdependency between societal and corporate value creation, while some of them simply do not address societal value creation by solely adopting a utilitarian vision of the business case for CSR. In that sense, when reviewing the CSP concept ten years after she developed her theoretical model, Wood states "Now it is time to shift the focus away from how CSP affects the firm, and towards how the firm's CSP affects stakeholders and society" (Wood, 2010, p. 76).

2 Research questions on the interaction between BoP and CSR

As described in the previous section, one can notice a disconnect in the CSR literature between corporate motivations and its actual outcomes. In the last ten years, the "business case" concept has increasingly interested academia and practitioners to economically justify sustainable strategies. We may however notice an insufficient understanding of manager's key arguments or business logics for adopting corporate sustainability strategies, which has been explained by the lack of descriptive research of the business case for CSR, (Salzmann, Ionescu-somers, & Steger, 2005). The literature on BoP strategies presents a similar disconnect as no clear combination of economic and societal value creation has been proved. In parallel, the link between BoP strategies and CSR is acknowledged but has not been systematically studied. Fifteen years after Prahalad's statement, the debate on BoP strategies tend to focus around two separate perspectives, namely a profit and a societal value maximization approach. Both visions are nonetheless promoting profitable business ventures tackling poverty issues. In that sense, BoP strategies seems extremely close to the core principles of CSR, reconciling corporate and society interests based on environmental, social and economic concerns. Recently, Kolk, Rivera-Santos, and Rufín (2014) published the first literature review on the BoP concept highlighting a clear lack of empirical research. Paradoxically, they highlight that MNCs are poorly studied, while they were primarily addressed by the BoP concept. As such, there is a need to provide further empirical elements to the discussion of the BoP concept specifically focusing on MNCs and their corporate social responsibility. This thesis aims at filling this gap.

On the one hand, the BoP concept primarily focused on corporate economic and financial gains. This led strategic management scholars such as Kurucz et al. (2008) to mobilize BoP strategies as an illustration of a "competitive advantage" business case for CSR, considering that they are mostly held by Western firms entering less developed geographies and for which much of the financial value is captured by the MNCs rather than by the populations themselves. It is noteworthy that Prahalad specifically disassociated his BoP concept from corporate responsibility. The author stipulates in his seminal book that BoP markets "must become part of the firms' core businesses; they cannot merely be relegated to the realm of corporate social responsibility (CSR) initiatives" (Prahalad & Fruehauf, 2004, p. 27). Prahalad advocates for a purely financial argument of the business case for BoP strategies providing new growth opportunities for the private sector – i.e. the "fortune" – and a forum for innovations. Nevertheless, rare MNCs succeeded in reaching BoP markets. For about two decades a number of corporations have developed strategies targeted towards low-income consumer with variable financial success. The rapid growth example of Unilever in India (Hart, 2007) contrasts with the withdrawal of several firms from their BoP initiatives such as P&G and DuPont (Simanis, 2012), or HP (Schwittay, 2011).

In retrospect, Simanis highlighted that BoP strategies shifted from an initial business effort to target low-income consumers towards philanthropic initiatives (Simanis & Milstein, 2012). He argues that the later societal approach of the BoP concept – that he contributed to promote under the BoP protocol (Simanis & Hart, 2008) – has focused on a development discourse starting on a social call to action. The author explains that BoP initiatives are incubated in CSR departments, which are by nature cost centers. According to him, this strategic shift misaligns BoP with core business thus leaving aside revenue and profit aspirations that are possible through answering a market demand. As a consequence, a cultural distance contributed to set a wall separating BoP as a market-based development strategy from a rigorous business growth strategy. To reverse this trend Simanis and Milstein (2012) urge companies to "bring business fundamentals back to the forefront of the BoP concept": by reframing the base of the economic pyramid as a traditional consumer segment; by grounding related business development activities in operations; by focusing project management on economic drivers; and by measuring internal business performance rather than external societal impact. They specify that poverty alleviation should be rather considered as a positive externality of BoP strategies rather than a primary motive. Simanis latest arguments are legitimate provided that we consider BoP strategies solely as a growth strategy towards low-income consumers markets; and if we consider CSR activities solely as a philanthropic approach.

On the other hand, the BoP concept is also promised to generate further indirect benefits for the company, provided that firms further include BoP populations in their approach. This is aligned with the recent evolution of CSR meaning and its business case perspective, which encompasses competitive advantage, and win-win relationships with stakeholders beyond cost and risk reduction, and legitimacy and reputation benefits (Carroll & Shabana, 2010). As an illustration, Halme and Laurila (2009) and Porter and Kramer (2011) mobilize the example of BoP strategies as an extension of corporations' core business to create synergistic value. Aligned with the CSP literature, some authors discussed the diversity of indirect CSR outcomes that BoP strategies might generate (Dalsace & Ménascé, 2010; Ramani & Mukherjee, 2014). First, it is also acknowledged that BoP strategies can lead to an increase of sales and market penetration in emerging economies, potentially leading to profit. Second, intangible reputational gains help the company to expand its network in the business ecosystem and build its license-to-operate, either by mitigating negative externalities of its activities or by specifically tackling local poverty issues. Third, BoP strategies are a driver of innovation for the company in terms of both technology and business models, which can translate into reverse innovation for mature markets (Faivre-Tavignot et al., 2010) or an increase of the knowledge base and capabilities. Fourth, the ethical positioning of corporations that fight global poverty is a lever for increasing employees' motivation and retention as well as attracting external talents. Fifth, while improving reputation, such corporate commitment contribute to building the "moral" or "social" capital of the firm by increasing its brand value or its access to physical or financial capital. Nevertheless, and similar to the CSP literature, there is no clear empirical evidence of the impact of a firm's commitment to tackle poverty issues on corporate performance.

While Base of the Pyramid strategies and Corporate Social Responsibility appear to be closely related, one can observe a similar lack of understanding in the literature on the link between strategic ex-ante motivations and actual ex-post outcomes. The literature describes some trade-offs pertaining to the underlying objective of combining economic and societal value creation, but there is a lack of descriptive studies on how this equation is managed within MNCs, more specifically on governance, organizational and management control aspects. As a mean to revisit and investigate why and how Base of the Pyramid strategies interact with Corporate Social Responsibility, the dissertation addresses the following questions:

- Why do firms pursue their investment in Base of the Pyramid initiatives within a difficult context of societal and economic value creation objective?
- How BoP initiatives can scale-up internally to become a mainstream business proposal for the company?
- How BoP initiatives can remain externally accountable and legitimate?

3 Research context and methodology

3.1 Schneider Electric and the emerging "BoP industry"

This doctoral research is the result of a four-year partnership with Schneider Electric initiated in September 2011. Schneider Electric is a French multinational corporation leader in energy management. The company evolved to position as a solution provider for utilities and infrastructures, industries and machine manufacturers, non-residential buildings, data centers and networks and the Residential sector. The company employs more than 170 000 people worldwide, reaching a turnover of 25 billion Euros in 2014, for which developing economies represented 44%. As part of its corporate social responsibility strategy, the company launched in 2009 the Access to Energy program aimed at promoting access to modern energy services for low-income populations (Vermot Desroches & André, 2012). The BoP initiative was built as a systemic answer to the global stake of the 1.3 billion people living across Africa, Asia, and South America who do not have access to electricity (IEA, 2011).

The Access to Energy program combines commercial and philanthropic perspectives with the intent to create value for both the company and the targeted populations. The program is building on three complementary pillars:

- *Investments*. Two impact investing funds, Schneider Electric Energy Access (SEEA) and Energy Access Ventures (EAV), support financially the development of small and medium enterprises or social enterprises in the field of access to energy, fuel poverty and job integration
- *Offers and business models*. An offer creation team designs specific energy access products and solutions that a business development team commercially deploy across Africa, Asia and South America in order to meet the energy needs of BoP populations that deprived of it.
- *Training*. A training team sponsors the creation of vocational training, through the financial support of the company's Foundation, in order to develop long-term regional competencies in electricity trades.

Since its launch, the Access to Energy program testifies for having invested in twelve SMEs; provided energy to more than 2.3 million households; and created almost 40 training programs in energy management reaching more than 73,000 people (Schneider Electric, 2015).

The Sustainability Senior Vice President in charge of the BoP program took the decision three years after its launch to initiate a research partnership with the Department of Economics of the École Polytechnique. During the research collaboration I had the opportunity to join the company's Sustainable Development department, assuming responsibilities of a business development and societal performance manager for the BoP initiative. This permitted to share my time with the BoP team and thus develop an "insider" position (Brannick & Coghlan, 2007). In that sense, I benefited from an "active member" status and assumed "a functional role in addition to the observational role" (Adler & Adler, 1987). This position facilitated to build "trust and acceptance of the researcher" (Adler & Adler, 1987) and gave me the ability to get into the organizational system, to take part in the meetings, and to influence decisions related to both the research partnership and the BoP program itself. A governance mechanism was built to avoid a potential interpretation bias related to the insider position of the researcher, who is said to have an underlying social, economic, or even ideological motivation. Twice a year, a steering committee of the research partnership permitted to review the progress of the research, to discuss its learning, to adapt research activities, and to validate the next steps.

Prior to the research partnership I also had the opportunity to be a project manager within the same team for two years. This previous experience enabled me to access the practices of the emerging BoP industry both at the French and international level. I participated in many formal meetings organized by think-tanks, NGOs or associations, corporate consortiums, research programs, government bodies and international development organizations. This participative observation was of primary importance for accessing other MNCs that invest in BoP strategies and contributed to the case selection and data collection method pertaining to the first research question on why firms pursue their investment in BoP initiatives within a difficult context of societal and economic value creation objective. As the thesis is an applied research, it focuses on an operational inquiry from the Sustainable Development department of Schneider Electric. The aim was to study the business case for the Access to Energy program as a mean to justify its return on investment. The operational inquiry emphasized initially on the ways to better identify, capture and measure the indirect business and the extra-financial benefits that the program was generating, specifically in the light of its limited profitability. As organizations evolve, the access to energy program succeeded to grow and was progressively revalorized within the broader strategy of the company. This led to new operational and research inquiries on the manageability of the BoP initiative considered internally as a “start-up”, on both its economic and societal value creation objectives.

3.2 Research methodology: action-research and case studies

As a mean to revisit BoP strategies and their interactions with CSR, the thesis provides new descriptive studies. The overarching research method used in the dissertation is action-research. A common definition has been provided by Rapoport (1970): “Action research aims to contribute both to the practical concerns of people in an immediate problematic situation and to the goals of science by joint collaboration within a mutually acceptable framework” (p. 499). As an “insider” researcher, I contributed to generating the phenomenon that is intended to be analyzed through my research activities. The action-research collaboration with the Sustainable Development department at Schneider Electric followed the cyclical process described by Susman and Evered (1978), which directly contributed to the writing of the second and third essays. First, a *diagnosing* phase helped me to build a common understanding of the operational inquiries that would be solved through research. This is illustrated by the research questions on how scaling-up a BoP initiative to become a mainstream business proposal for the company, or on how BoP initiatives can remain externally legitimate. Second, an *action planning* phase consists in developing the solutions that will be experimented to solve the problem. In the case of Schneider Electric’s second impact investing fund, I designed its societal performance monitoring procedure. Third, an *action taking* phase is meant to actually implement the suggested solutions. Fourth an *evaluating* phase apprehends the consequences of these actions on the organization and its ecosystem. Finally, a *specification of learning* phase feed the lessons learned back into the organization. From this stage, a second cyclical process might start over if the learning contributed to change the problem to solve.

In order to build our exploratory studies for theory-building, the three essays mobilize a case study methodology (Yin, 2009). This permits to typically answer research questions that address the "how" and the "why" in unexplored research areas (Eisenhardt & Graebner, 2007). The data collection process relied on secondary and primary sources:

- *Secondary sources*. I collected external communications such as institutional reports, communication-oriented documents and press releases from companies, professional reports from consultants, corporate consortiums or international agencies. I also aggregated previous cases from academic journals articles, theses and books in the economics and management literature focusing on BoP and CSR. Whenever possible I collected internal companies' working documents, notes, presentations and reports.
- *Participant observations*. Related to my operational responsibilities within Schneider Electric as described above, I had the opportunity to participate in many business meetings and discussions with other professionals. Either working at Schneider Electric or in other companies, their responsibilities cover diverse functional areas such as marketing, human resources, research and development, logistics, finance and control, as well as business units and operational departments. The method of data collection was primarily informal, which allowed the views of the respondents to emerge. Learning related to my research inquiries were written down in a research logbook.
- *Individual interviews.* All over the research partnership period, I interviewed 25 managers either directly involved in BoP initiatives or related to CSR activities. Interviews were based on semi-structured questionnaires specific to each essay, which were previously sent to participants. All of these interviews were recorded, immediately transcribed and synthetically reviewed.

Traditional prejudices against case study methods rely on the limited ability to generalize the findings. We acknowledge that the essays are tied to the organization we studied. The case study method however allowed us to explore the phenomenon in-depth. They reveal the strategic, governance and organizational complexity and the development of internal processes, management control systems and organizational learning.

4 Thesis contribution

This section presents the structure of the dissertation and the main contributions of the thesis related to our research questions. As the chapters were written separately, a synthesis of the different chapters highlights the main insights and provides the complementarities in the demonstration.

4.1 Structure of the dissertation

The dissertation aims to revisit the interactions between Base of the Pyramid strategies and Corporate Social Responsibility. Notably, the three chapters attempt to answer the following research questions:

1. Why do firms pursue their investment in Base of the Pyramid initiatives within a sensitive context of societal and economic value creation objective?
2. How do BoP initiatives scale-up internally to become a mainstream business for the company?
3. How do BoP initiatives remain externally accountable and legitimate?

Drawing on previous sections, a synopsis of the dissertation follows and is illustrated in Figure 0.1. For pedagogical purpose, the choice has been made to begin with the study of BoP strategies in regards of the latest meanings of CSR motivations and expected outcomes. The first chapter explores *why* BoP initiatives succeed to maintain while some others fizzle out. This should facilitate the understanding of the grounding of the BoP concept into the broader responsible agenda of companies and its links with the firm's strategy. The following two chapters address the management of the double economic and societal value creation objective of BoP strategies. On the one hand, the second chapter adopts an internal perspective on Schneider Electric's economic outcomes. The essay offers a study of *how* a BoP initiative can scale-up internally once it has been considered as a business opportunity for the company. On the other hand, the third chapter adopts an external point of view on the societal outcomes of BoP strategy. The essay explores *how* the latest impact investing fund sponsored by Schneider Electric can respond to the pressures to be accountable and legitimate for creating social value at the BoP.

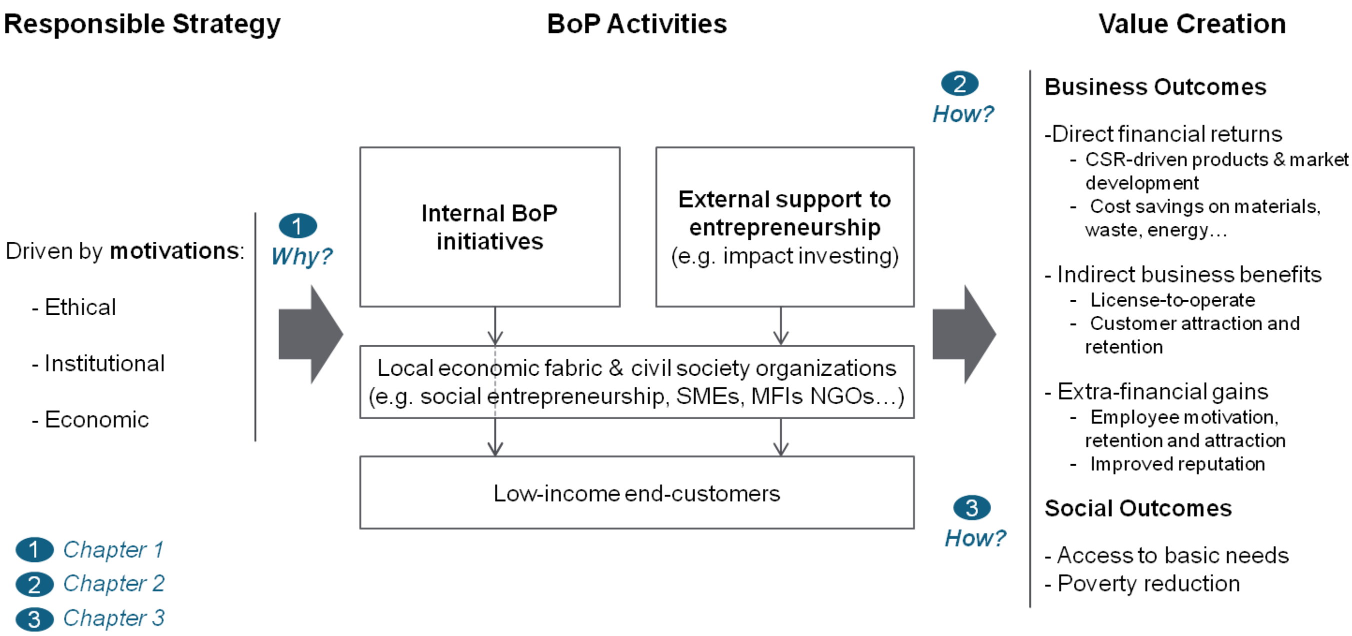

Figure 0.1: Synopsis of the dissertation

The dissertation therefore builds on three essays, organized as follows:

- The first chapter is entitled "Corporate Social Responsibility Boosts Value Creation at the Base of the Pyramid". The essay explores the underlying reasons why some MNCs continue to invest in BoP strategies while facing a difficult context of combining social and financial sustainability. It is shown that in some companies BoP initiatives have been relegated to philanthropic programs or simply dismantled, while in other cases they have repositioned their value proposition in the CSR strategy of the company. This later logic opens a full range of financial and extra-financial returns to justify the conceded investments and thus help identifying different business cases for BoP initiatives. It builds on a multiple case study of seven BoP initiatives at Danone, EDF, Essilor, Grundfos, Lafarge, Schneider Electric and Veolia Environnement and 17 of their field projects. The cross-case analysis tracks their value creation, organizational, and strategic positioning in regards of corporate responsibility strategies.
- The second chapter is entitled "Managing Base of the Pyramid as a Business Opportunity: A Longitudinal Field Study". The essay discusses the internal challenge for shifting a BoP initiative somewhat protected within a CSR department, towards a business as usual profitable project for the company. This analysis is based on a longitudinal case study of Schneider Electric and its Access to Energy program over the years 2011-2015. The BoP initiative initially benefited from the reformulation of the CSR strategy along core values of the company to face the global energy challenge. As the initiative developed, growth and performance objectives were assigned. The essay analyzes the corresponding

process. The organizational barriers to successfully overcome this strategic change are identified and related to the management control in place in the company.

- The third chapter is entitled “Managing Societal Performance of Impact Investing: An Action Research Inquiry”. The essay addresses the accountability and legitimacy of BoP activities through the analysis of the Schneider Electric’s external involvement in the impact investing industry. It is shown that the investment management team of this external fund has developed the ability to make compatible potential conflicting institutional demands to simultaneously achieve profit and create societal value through the integration of performance-oriented management procedures.

4.2 Contributions of the dissertation

4.2.1 Business cases for BoP strategies

Based on a multiple case study of seven MNCs, and building on a conceptual framework of BoP strategies in regards of CSR, the first chapter of the dissertation provides an analysis framework of the firm’s justification to maintain their BoP initiatives. Beyond the sole generation of profit, BoP strategies might receive the mandate to capture indirect business returns or extra-financial benefits thus highlighting trade-offs between profit maximization and CSR returns. The analysis framework distinguishes three business cases for BoP initiatives as illustrated in Table 0.2:

- A *differentiation* business case primarily aims at gaining a license-to-operate and improving public relations for the company. Typical BoP field projects will be included in broader public service delegation contracts as a mean to differentiate the company on social inclusiveness. The scale-up of these BoP project is, by nature, limited as they are circumscribed to the populations targeted by the contract the company aims to win.
- A *product and business model innovation* business case mainly seeks at incubating corporate strategic renewal while benefiting from reputational gains. Typical BoP projects will test and deploy new value propositions thanks to the strong support from local business operations. The incubation status of the pilot projects and their difficulty to reach the break-even represent a risk for marginalization within the company.
- A *low-income consumer market segment* business case targets profitable growth avenues for the company. Typical BoP projects will be marketing adapted products to increase market shares among untapped consumer segments. It appears that such a BoP approach need to rely on an existing and strong brand awareness of the company to lower the cost of marketing and reach a critical profitability in the short term.

Table 0.2: Three business cases for BoP strategies and potential trajectories

Business case for BoP strategies	Differentiation	Product & business model innovation	Low-income consumer market segment
Company returns	Mid-term: - Licence-to-operate - Public relations	Long-term: - Strategic renewal - Corporate reputation	Short-term: - Growth - Profitability
BoP projects' economic value creation	Indirect < -> Direct - Differentiation strategy - Contracts or tenders won	- Develop new value propositions - Attract new customers	- Increase market shares among low-income segment
Barriers to grow	- Projects' scale limited by nature - Limited profitability of the projects - Rely on awareness of social stakes from operations	- Start-up positioning potentially marginalized from local business stakes - Require adoption from support functions (HR, marketing, R&D, logistics…) - Requires time to reach profitability	- Sensitive to short-term financial results objectives - Market captures approach requires pre-existent brand recognition

We may notice that BoP initiatives may adopt different trajectories for their business case. Strategies adopting a *differentiation* business case could lead to a *product and business model innovation* one, which in turn could potentially lead to a *Low-income consumer market segment* business. A trigger to make evolve these BoP initiatives stands in the revalorization of their business case and in the evolution of the CSR strategy of the company.

4.2.2 Transitioning BoP strategies towards a business opportunity

In the second chapter, the dissertation identifies the transition process for Schneider Electric's BoP initiative – the Access to Energy program – to shift from an incubation status towards a mainstream business opportunity. The BoP initiative benefited from a parallel change in the corporate strategy that progressively embedded a business opportunity vision of global energy stakes. Two trigger factors contribute to the transition of the BoP initiative: an organizational change to further embark local business operations; and an ambitious renewed business objective. Related to these factors, and building on the conceptual framework of strategy design proposed by Simons (1995), the essay identifies a transition process into four steps with direct consequences on the management control systems in place, as illustrated in Figure 0.2:

- *Raising awareness about the BoP concept*. From 2009 to 2013, the access to Energy program acted as a protected entity under the Sustainable Development department. Its mandate was to innovate on technologies and business models. After an initial philanthropic pilot phase, the BoP initiative captured first market opportunities, which helped increasing the awareness among local operations of indirect business benefits. First achievements were primarily controlled through diagnostic systems crystallized around a communication-oriented indicator on the societal objective to provide access to energy to two million households at the BoP.

- *Starting the transition with an organizational change*. In late 2013, the Access to Energy program testified for a successive increase of yearly sales and for reaching the breakeven. This led the top management to further embark local operations through incentives schemes, pushing for a cross-functional governance of the program between the Sustainable Development department and the business operations. This organizational change was the starting point to create an interactive control system, while the BoP program kept its internal start-up status.
- *Top-down validation of a business opportunity strategy*. In mid-2014 and aligned with the company's strategy, the top management reconsidered the Access to Energy program as an actual business opportunity. A new proactive commercial objective to multiply annual revenues by five within a period of three years replaced the former societal indicator within the CSR dashboard of the company as a mean to reinforce its external commitment to sustainably promote access to energy. Such a demanding target led the different managers involved in the program to reconsider its overall strategy and embed it further within operational and support functions. Working groups permitted interactive discussions across departments which led to the definition of specific action plans and priorities for every country that would be discussed periodically through dedicated quarterly business reviews. This phase finalized the change of the mindsets of the middle managers to consider the Access to Energy business as a growth avenue.
- *Securing the BoP transition towards business as usual activities*. Finally, a line of conduct was suggested to deeper install the program within the general business routines of the company by merging the Access to Energy program with a Business Unit. This would finalize the embeddedness of the program within the traditional diagnostic control system of the company, for instance by being included into general business reviews rather than being addressed separately.

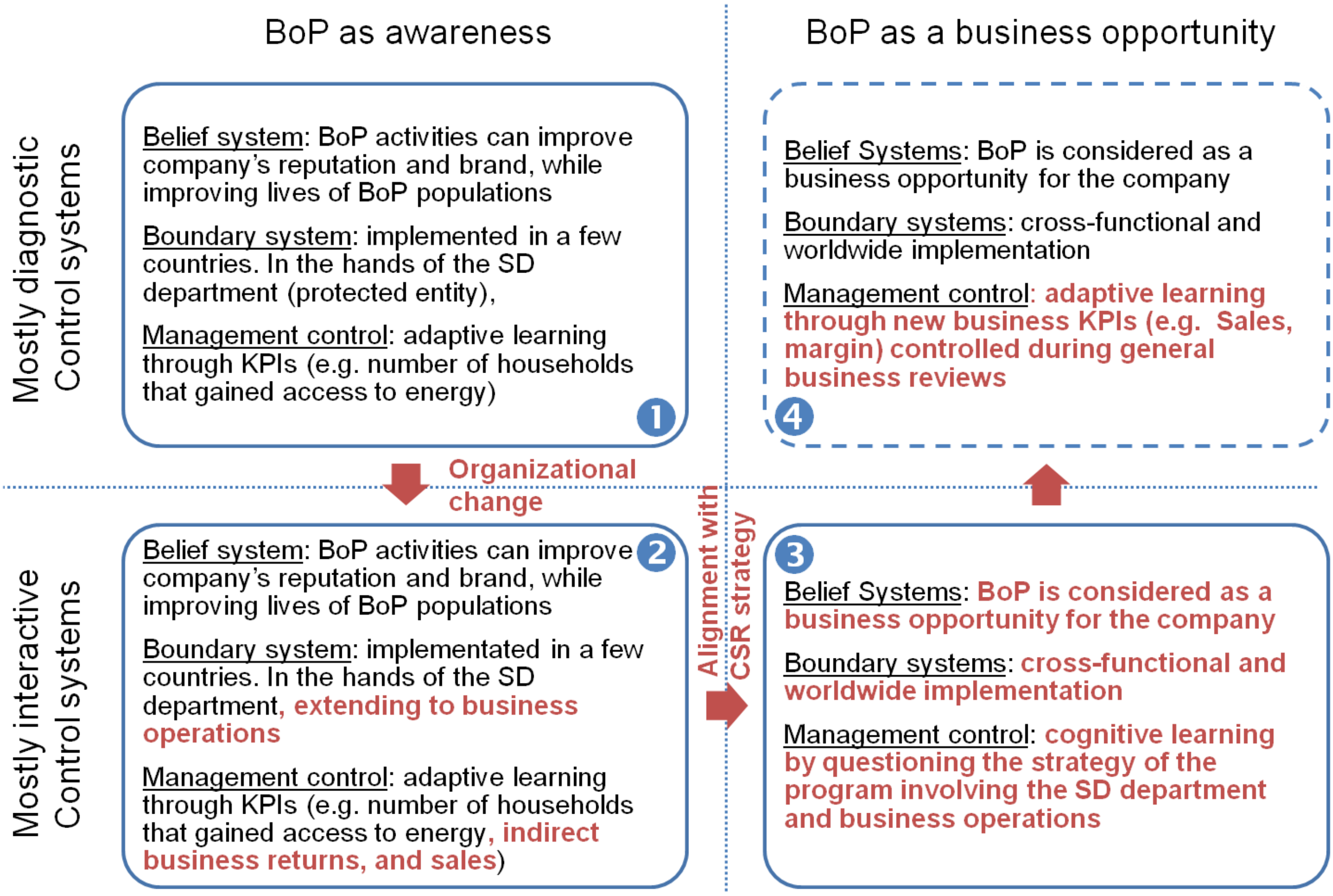

Figure 0.2: Transitioning BoP strategies towards a business opportunity

4.2.3 Building legitimacy through performance-oriented societal accountability

While the first chapter highlights a clear lack of societal accountability among BoP initiatives, the third chapter further explores the combination of potential conflicting institutional logics of profitability and social value creation of BoP activities. It analyses the external involvement of Schneider Electric's Access to Energy program in the impact investing industry through the launch and the sponsorship of Energy Access Ventures (EAV) fund. Building on the conceptual framework of strategic responses to institutional pressures proposed by Oliver (1991), the case study describes a multiplicity of the fund's answers in building their societal legitimacy, which crystallized around the creation of a fully integrated societal management procedure.

The article highlights the emergence of cycles of responses to the pressures to adopt a societal management procedure:

- *Initial acquiescence based on ethical considerations*. The fund acquiescence to conform to a societal management procedure first appeared as a natural strategic response to gain external legitimacy and attract investors. EAV managers were driven by their own personal values and beliefs into their social mission. The team chose to develop a dedicated impact performance monitoring tool based on emerging standardized indicators spreading across the impact investing industry.

- *Searching for a compromise with the fund's investors*. In a second phase, and once Development Finance Institutions came as potential investors alongside Schneider Electric, the fund's team faced the complexity to manage societal performance based on first field experimentations and on an increased number of requirements from its future investors. As a consequence, the fund's managers searched for a compromise by negotiating a reduced number of compulsory indicators to report and an additional skill and financial support to conduct thorough impact evaluations.
- *Mitigating risks to avoid societal accountability*. After first years of experience on the ground, there is a risk for EAV managers to avoid their investors' requirements due to the complexity to track the social performance of every investee. The findings suggest that the control systems set by the DFIs over the lifetime of the fund appear as a watchdog for EAVF avoidance of societal performance management.

The action-research allowed reasserting a potential conflict – or a delicate balance – between profit and societal value creation objectives for BoP strategies. Nevertheless, the example of EAV fund which integrated a societal management methodology within its overall investment procedure consists in a novel form of practices meant to handle such tensions. It is shown that the investment management team of this external fund has developed the ability to make compatible potential conflicting institutional demands thanks to the adoption of a societal performance-oriented monitoring tool rather than long-term social impact evaluations.

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CHAPTER 1: Corporate Social Responsibility Boosts Value Creation at the Base of the Pyramid

Abstract:

Multinational corporations (MNCs) have embraced the possibility to find growth or strategic opportunities by targeting the Base of the Pyramid (BoP) segment, while contributing to alleviate poverty. Taking stock of the famous early BoP initiatives shows that the gamble taken upon this responsible commitment is not yet won. Indeed, some were relegated to philanthropic programmes or simply dismantled, highlighting a tension to combine both societal and financial sustainability. The paper questions why some MNCs continue to invest in such sensitive contexts, while others dismantled their BoP initiatives. We provide an empirical analysis of present BoP initiatives, based on an embedded multiple-case study of seven MNCs' initiatives and seventeen of their field projects. The paper highlights three types of Corporate Social Responsibility (CSR) engagement, which will translate into different strategies, organizations and value creation for BoP initiatives. We deliver novel insights for the study of the "business cases" of BoP strategies that aim at gaining a license-to-operate, incubating future mainstream value propositions, and reaching profitable growth. Apprehending these business cases helps BoP managers to build a rationale justification for the conceded investments.

Keywords: Multinational Enterprises, Corporate Social Responsibility (CSR), Base of the Pyramid (BoP), business case

1 Introduction

Multinational corporations (MNCs) have embraced the possibility to find growth or strategic opportunities by targeting poor population markets while contributing to alleviate poverty of the so called "Base" or "Bottom of the Pyramid" (BoP) (Prahalad & Hammond, 2002; Prahalad & Hart, 1999). In 2000, Hewlett-Packard (HP) was one of the first MNCs to launch a global and promising initiative, called e-Inclusion, aimed at tackling the digital divide. The program, supported by Carly Fiorina, the former CEO of HP, extended the company's traditional philanthropic engagement to become the new strategic commitment of the company (Traça & Foryt, 2004). E-Inclusion implemented numerous projects by marketing products and services in underserved communities as a prospective growth for HP in emerging countries. Five years later, Carly Fiorina was ousted from the company. Her successor terminated the e-Inclusion initiative, considering that it was not demonstrating sufficient returns on investments (McFalls, 2007; Schwittay, 2011). Supports to entrepreneurship or improved education were brought back to philanthropic activities of the company. The case of HP is not the sole example of a "failure" in targeting the base of the pyramid segment. In this regard, Simanis and Milstein, when reviewing such business divestments, urge MNCs to "bring business fundamentals back to the forefront of the BoP concept" (Simanis & Milstein, 2012). This highlights the tension that MNCs are facing to reconcile both objectives of their BoP strategies, namely being economically sustainable in time and being an integrated part of societal responsibility concerns.

Private sector involvements and academia research have made their way towards the expansion in poor population markets since the first introduction of the concept of "Base" or "Bottom of the Pyramid" (BoP) by Prahalad and Hart (1999). Companies launched profit-driven ventures targeting BoP markets which would lead to poverty alleviation (Prahalad & Hammond, 2002; Prahalad & Hart, 1999). As depicted by Simanis and Milstein (2012), first ventures have been widely studied. Initiatives led by Hindustan Lever Ltd in India and its Wheel detergent, or P&G and its Pur water purification sachets shed light on the potential for MNCs to reach untapped markets by selling to the poor. Critiques emerged from some academics about the fact that no market exists, that the BoP populations should be rather included into the business models, or that projects do not actually target the poorest (Crabtree, 2007; Karnani, 2006, 2007b; Warnholz, 2007). However, these critiques did not break the emulation between practitioners. A few years later, numerous initiatives were launched with the vision of integrating the poor populations in the design of the ventures, categorizing them within the "BoP 2.0" generation (Simanis & Hart, 2008). Projects like Grameen Danone Foods Ltd and its enriched yogurts distributed in Bangladesh, or the Community Cleaning Services initiated by SC Johnson in the slums of Nairobi, Kenya, show the development of ventures led by Corporate Social Responsibility (CSR) concerns. This trend emphasizes the aspiration from MNCs of a double or even triple bottom line. In that sense, companies seem for having adopted Davidson's recommendation, whom urged MNCs to incorporate the core elements of CSR into the BoP concept "if they are to have any chance of success" (Davidson, 2009).

Nonetheless, the gamble taken by MNCs at the Base of the Pyramid is not yet won. Indeed, some of the early initiatives such as the HP's e-Inclusion initiative, SC Johnson's Community Cleaning Services venture, or P&G and its PuR water purification sachets have been relegated to philanthropic department or simply dismantled (Munir, Ansari, & Gregg, 2010; Simanis & Milstein, 2012). Those initiatives thus are considered for having failed in reaching sustainability and in demonstrating a business case. In parallel and despite a sensitive context to become economically viable, we may cite famous early examples such as Hindustan Lever Ltd's Shakti programme or Cemex' Patrimonio Hoy project that succeeded to maintain ans scale-up BoP initiatives.

Tacking stock of these past examples, the aim of the paper is to question why some BoP initiatives succeed while some others fizzle out. This leads to two sub-questions that the paper seeks to answer. First, it is noteworthy that MNCs which continue to invest in or recently started BoP initiatives are often motivated by ethical concerns from their management. We might therefore wonder if BoP strategies will have more chance to sustain if they are embedded within the broader corporate responsibility strategy of the firm. Second and paradoxically, BoP initiatives seem overtaken by business challenges from MNCs' top managements that are requiring short-term returns, while they are still in a process of long-term innovation to tackle societal issues (Seelos & Mair, 2007). We might question how MNCs position their BoP initiatives' equation of a double economic and societal value creation. We argue that BoP strategies will have more chance to maintain and scale-up if they articulate in the corporate responsibility strategy, which is itself clearly embedded in the overall strategy of the firm.

This paper provides empirical elements to the discussion on the BoP concept, using an MNC's perspective, as the central entity addressed by Prahalad's initial work , but which have been identified as lacking in the present BoP literature (Kolk, Rivera-Santos, & Rufin, 2012). Our analysis is an embedded, multiple-case study for theory building (Eisenhardt & Graebner, 2007; Yin, 1994) of seven MNCs, which are implementing BoP initiatives: Danone, Electricité de France (EDF), Essilor, Grundfos, Lafarge, Schneider Electric and Veolia Environement. While studied companies are not statistically representative, they were selected based on their role in the domain of BoP strategies (i.e. leadership), their diversity of industry (i.e. cross sector), their geographies of intervention (i.e. cross country) and their modality of operations (i.e. different business models). Based on the review of the literature, we derive a conceptual framework that links CSR and BoP strategies by describing the business cases for BoP projects in terms of strategy, organization, and economic and societal value creation. Interviews with managers or directors at the corporate level, questionnaires addressed to managing directors of seventeen BoP projects at the field level, and the analysis of internal documents and secondary data permitted to derive our cross-case analysis.

Our findings deliver novel insights for a pattern of "business cases" for BoP strategies that go well beyond the sole search for direct profitability. Studied BoP projects will adopt three different business rationales, namely a "differentiation" strategy to gain a licence-to-operate, a "product and business model innovation" strategy to incubate future mainstream value propositions, or a "low-income consumer's market segment" strategy leading to growth avenues. As such we highlight the deep rooting of BoP initiatives within the sustainable development policies that the firms adopted. We reveal that the more CSR engagements are integrated into the firms' strategy, the more BoP strategies will have chance to maintain and scale up. Linking BoP and corporate responsibility strategies provides managers a business rationale towards their management in order to justify the conceded investment and demonstrate the broader value creation of BoP projects that encompass profits but also indirect business returns as well as extra-financial benefits.

The remainder of the paper is organised as follows. In section 2, we derive a conceptual framework from the review of the literature to support our hypotheses of BoP strategies' business cases in relation to corporate responsibility strategies, based on the past BoP initiatives that succeeded or failed. We present our empirical strategy and methodology in Section 3. Section 4 derives the results of the cross case analysis. Section 5 discusses the findings and section 6 concludes.

2 Towards and integrated CSR-BoP model. A review of successes and failures

2.1 A common anchorage of value creation for BoP and CSR strategies

Three types of arguments have been delineated to justify companies' strategic choices in terms of Corporate Social Responsibility[1] (CSR) (Arjaliès, Goubet, & Ponssard, 2011; Capron & Petit, 2011). The "business ethics" trend considers moral obligations towards the society. Philanthropic initiatives would be at the business leaders' initiative once economic, legal and ethical responsibilities of the company have been ensured (Carroll, 1979). The "business and society" trend (Wood, 1991) positions the company as a social institution embedded in the society and towards which it is accountable. Freeman's (1984) stakeholders theory provides a guideline for managers to integrate stakeholders' interests within the business activities. The recent "business case" trend (Vogel, 2006) suggests companies to tackle societal stakes as a source of strategic innovation and competitive advantage. Despite the adoption and implementation of CSR shaped by values and motivations – i.e. strategic or instrumental driven motives vs. moral or ethical driven motives – efforts have been done to describe MNCs' value creation which leads to increased economic and social gains.

Strategically speaking, the business case for CSR can be defined as the opportunity for a company to "perform better financially by attending not only to its core business operations, but also to its responsibilities toward creating a better society" (Kurucz, Colbert, & Wheeler, 2008). Kurucz et al. (2008) provide a typology describing four types of the business cases for CSR. Under a "Cost and Risk Reduction" business case, the corporate economic interests are served by mitigating the threatening demands of stakeholders (e.g. pollution prevention). Under a "Reputation and Legitimacy" perspective, the company will align with stakeholders' interests to build a responsible brand through CSR initiatives (e.g. socially responsible investing or environmental certifications). A "Synergistic Value Creation" (Kurucz et al., 2008) approach focuses on seeking opportunities to relate and synthesize the interests of a diverse set of stakeholders towards win-win-win outcomes (e.g. sustainable local enterprise networks or societal learning). Finally, under a "Competitive Advantage" (Kurucz et al., 2008) approach, the company will adapt to stakeholders' demands and leverage them as opportunities through

[1] In the following, we consider CSR following the European Commission definition (2001) as "a concept whereby companies integrate social and environmental concerns in their business operations and in their interaction with their stakeholders on a voluntary basis". Therefore, we assume that CSR cannot be solely assimilated to a philanthropic approach as it can be described in some of the literature (Carroll, 1991).

strategically orienting and directing resources of the company (e.g. clean technologies). In the following, we will review first the BoP literature in the light of this typology.

BoP strategies are associated to CSR approaches in the sense that corporations might develop profitable business by delivering adapted or innovative products, affordable to the four billion deprived and untapped consumers whose daily incomes do not exceed USD 5. In turn, BoP populations are promised to empower and alleviate their poverty. Therefore, this market opportunity – representing a so-called fortune (Prahalad & Hart, 2002) for corporations – might not be associated with a business case perspective of “cost and risk reduction”. First reviews of BoP strategies agreed on distinguishing a “BoP 1.0” and a “BoP 2.0” models (Arora & Romijn, 2012; Munir, Ansari, & Gregg, 2010; Perrot, 2010). These denominations respectively adopt a “market capture” approach in order to increase sales and profits, or a “market creation” approach leading to disruptive innovation and greater societal gain. The BoP concept was initially built with a commercial lens that calls MNCs to adapt locally in order to grow in untapped markets of low-income consumers (Prahalad & Hammond, 2002; Prahalad & Hart, 1999, 2002). As such BoP strategies are not philanthropic initiatives but are rather considered within a “competitive advantage” perspective that requires a robust business strategy. As an illustration, the review of BoP literature conducted by Kolk et al. (2012) reveals that the majority of the BoP case studies report for tracking basic business metrics such as price, cost, revenue, margin, market penetration or number of customers.

Other authors insist on the construction of companies ethical positioning when they need to embed “moral capacities” (Cholez, Trompette, & Vinck, 2010) and position themselves as “corporate citizens” (Hahn, 2009, 2012). Early statements of the BoP proposal were then refined to take into account its criticisms (Ansari, Munir, & Gregg, 2012; Hart, 2007). A second set of the literature emphasized on the societal strategic role of the BoP concept with a focus on poverty alleviation and development impacts of business ventures. The paradigm of the BoP concept shifted with the “BoP protocol” (Simanis & Hart, 2008) towards its capacity to economically empower BoP populations through skill building in a bottom-up perspective. This type of BoP approach focuses on cross-sector partnerships as a key condition to create markets at the Base of the Pyramid (Murphy, Perrot, & Rivera-Santos, 2012; Reficco & Márquez, 2012; Rivera-Santos & Rufín, 2010). Non-governmental organisations (NGOs), social entrepreneurs, and low-income populations have been identified by some authors as key stakeholders in reaching population needs and providing acceptance of new products or services thanks to their anchorage in social and cultural systems (Brugmann & Prahalad, 2007; London & Hart, 2004; Seelos & Mair, 2007). As such BoP strategies might also be considered as a “synergistic value creation” approach. A first attempt to deepen the understanding of value creation captured by companies that implement BoP initiatives has been conducted by Keating and Schmidt (2008) in their case study of 22 MNCs' business units. They highlight that BoP strategies aim at gaining "Financial, strategic and philanthropic benefits" revealing that they might be considered also as a "reputation and legitimacy" approach. Alongside with Ramani and Mukherjee (2014), both studies acknowledge the creation of secondary benefits, which were not considered critical in the decision to enter BoP markets. These indirect and extra-financial benefits such as positive public relations, development of employees' competencies, innovation spreading, and organisational restructuring represent valuable ex-post impacts for companies undertaking BoP initiatives (Mary, 2013; Natixis, 2012; WBCSD & SNV, 2008).

Strategic management scholars discussed the BoP business case in regards of CSR strategies. In their typology, Kurucz et al. (2008) precisely consider that it lies in a "competitive advantage" perspective. They argue that BoP strategies are mostly held by Western firms entering less developed geographies and for which much of the financial value is captured by the MNCs rather than by the populations themselves. On the contrary, Halme and Laurila (2009), with their intention to study the outcomes of CSR activities, clearly define BoP strategies as a "Corporate Responsible Innovation" type, which consists primarily in tackling social and environmental issues by developing new products and business models. Similarly, Porter and Kramer (2011) precisely highlight the BoP concept as a lever for "creating shared value". "Corporate Responsible Innovation" and "creating shared value" meanings however are similar to a "synergistic value creation" in the sense that they all describe an opportunity to create value for both the company and the society by involving stakeholders that are targeted by the company. Based on these considerations that the BoP concept pertains to broader CSR strategies, we suggest a first theoretical perspective on the different types of business cases, as illustrated in Table 1.1. The following section will further nourish this strategic typology in order to develop our analytical framework by reviewing the organization of and the value created by some early BoP initiatives that succeeded or failed.

Table 1.1: A first typology of BoP strategies vis-a-vis business cases for CSR

CSR strategies	**Reputation & Legitimacy**	**Synergistic Value Creation**	**Competitive Advantage**
BoP Strategies	Related to philanthropy and public relation	BoP 2.0 "Market Creation"	BoP 1.0 "Market Capture"

Value created	- Firm's reputation	- Innovation and repositioning of the firm - Social impacts	- Firm's growth - Profits

2.2 Successes and failures of BoP initiatives

2.2.1 Strategies for investing in BoP initiatives

The case studies of BoP initiatives in the literature address mainly the characteristics of the ventures at the field level. However, it is possible to classify them based on the broader strategy of the firms undertaking such initiatives. A famous example is the "Wheel" product launched by Unilerver's Indian subsidiary, Hindustan Lever Ltd. (HLL) in late 1990's, which adopted a "competitive advantage" approach. The company proposed a reformulated detergent sold in single-use package (Hart, 2007, pp. 140-145) and commercialized it through an adapted distribution channel of small retailers, making it accessible to low-income population. HLL's initiative was a response to the rapid change of its competitive landscape in India (Perrot, 2010). The company's goal was to counteract the expansion of Nirma, an Indian leading company in FMCGs that succeeded in reaching rural markets, thus capturing significant market shares. HLL then created the project Shakti to leverage its distribution capacity through a network of women entrepreneurs who sell several brands of the company. HLL adopted a similar approach for the "Fair and Lovely" skin whitening face cream, which is considered to be the leading fairness cream in the Indian subcontinent. Two similar examples of failures – in the sense that they could not commercially scale-up – have been reported for being disinvested by companies. DuPont's Solae subsidiary and its soy-based protein sachets (Simanis, 2012), and Procter and Gamble (P&G) and its PuR water purification sachets (Munir et al., 2010; Simanis & Milstein, 2012) failed to reach significant short-term profitability.

Several multinational enterprises adopting a "synergistic value creation" approach at the base of the pyramid might be cited. A renown example is the e-Inclusion initiative, launched in 2000 by Hewlett-Packard (HP) to empower BoP populations through enabling access to Information and Communication Technologies (ICT) (Traça & Foryt, 2004). "Inclusive communities" were first launched in 2002 in South Africa and in Andhra Pradesh, India. These so-called i-communities projects deployed ICT technologies to sustain socio-economic development and served as an experimental platform for HP to test new solutions and business models. The approach was considered exemplary in terms of "relationship building, empowerment, and deep involvement with the BoP" (Ansari et al., 2012). Motivations for HP were clearly stated from the beginning: e-inclusion would permit the company to create new markets, leading to growth in revenue and profit especially in emerging markets, while demonstrating their commitment towards the society (Matambanadzo, 2001). As emphasized by Traça and Foryt (2004), key stakeholders of e-inclusion were the local communities and the governments. HP's efforts would then lead to improve its public relations. In 2005, the e-inclusion initiative withdrew from the company's CSR agenda when HP's top management changed. SC Johnson's Community Cleaning Service project in Kenya (Simanis & Hart, 2008) is another exemplary attempts to include low-income consumers into the design of innovative products or services, which failed to justify a sufficient return on investment.

2.2.2 Organizations across BoP initiatives

In terms of organization, MNCs are advised to seek for national growth opportunities for which local adaptation can then be transported abroad to similar markets (Prahalad & Fruehauf, 2004, pp. 50-53). In that sense, Simanis and Milstein (2012) emphasize on inscribing BoP markets – recalled D&E segments – in the day-to-day perspective of middle managers at the local scale. This highlights the potential for replicating BoP ventures among MNCs implementations in different emerging markets. The decentralized organization of Unilever permitted its Indian subsidiary to "fly under the radar" (Hart, 2007, p. 142) and validate such an innovative business model for the company. Unilever replicated the successful Indian business approach in other markets to develop, for instance, a new detergent specifically targeting poor populations in Brazil. However, Hillemann and Verbeke (2014) claim that replicating a "success template" is an illusion in terms of economies of scale due to high costs and uncertainties to transfer competencies developed by MNCs' subsidiaries in each local contexts.

In terms of governance, BoP ventures require patient capital and long-term commitment from the company (Karamchandani, Kubzansky, & Lalwani, 2011; Kennedy & Novogratz, 2011). The BoP Protocol similarly advises companies to set an 'R&D "White Space"' (Simanis & Hart, 2008). Close to the top management team, such ventures can operate outside traditional business metrics and processes either by the creation of a new external venture to the company, or by its internal management from a specific corporate functional department (London, 2010). However, a first reason for HP's failure lies in the fact that the company was incapable of absorbing into its broader organisation and strategy what appeared to be solely a CEO-driven program (McFalls, 2007). E-Inclusion suffered from a top-down management, in which the corporate initiative pushed for decisions within the local project group without implying the South African subsidiary. The program also lied in an emotional promise to serve sustainably the world's billion poor, highlighting a disconnect with a business rationale of the company (Simanis & Milstein, 2012).

2.2.3 Economic value creation of BoP initiatives

On the corporate value creation side, the language used by Prahalad in his seminal book testifies for a deep business rooting when he explains that “the basic economics of the BOP markets are based on small unit packages, low margin per unit, high volume, and high return on capital employed” (Prahalad & Fruehauf, 2004, p. 24). This equation would lead companies to develop self-sustaining business models for which high volumes of sales would cover investment and exploitation. According to Hart, HLL “registered a 20 percent growth in revenues per year and a 25 percent growth in profits per year for 1993-1999” (Hart, 2007, p. 143) and succeeded to reach, in 2007, a 40% share of the detergent market in India, thus testifying for a successful competitive advantage position of the firm. However, selling small packaging in rural areas or urban slums is not the panacea as testify the cases of P&G and DuPont. In 2000, P&G launched PuR, a water purification powder sold in low-cost sachets, thanks to an investment of US$15 million to develop the product and test the market (Baddache, 2008). Despite a penetration rate of up to 10% and a margin of 50% per sachets, the product could not sell “fast enough to make a positive return”. In 2005, P&G decided to transform the project into a non-profit initiative that would sell the sachets at cost to humanitarian organizations. Six years later, P&G sold its subsidiary PUR Water Purification Products Inc. but kept the PuR Sachets as part of its Children's Safe Drinking Water corporate philanthropy program (P&G, 2011). Similarly, DuPont’s subsidiary Solae, intended in 2006 to distribute sachets of soy-based proteins that would help fighting malnutrition. The venture realized it could not reach the volume of sales that would ensure profitability and stopped its activities in 2008 (Simanis, 2012). In opposition to HLL’s Wheel detergent, Solae’s proteins and P&G’s PuR sachets would have faced reluctance from consumers to change their habits by using unknown products. These two examples recall the need for BoP strategies to adopt strong marketing approaches to reach a certain level of profitability, especially under a “competitive advantage” approach.

More societal-oriented BoP strategies are intended to lead to the next unexplored revenue streams by capitalizing on innovation learning as a lever for reverse innovation for mature markets (Faivre-Tavignot, 2012; Faivre-Tavignot, Lehman-Ortega, & Moingeon, 2010). However, the economic sustainability – not to mention the profitability – remains a primary criterion of success. A second reason for HP’s withdrawal of the e-inclusion initiative lies in the fact that a short-term commitment frustrated the operational teams whom had to achieve results within a period of three years (Schwittay, 2011). The new CEO terminated e-Inclusion as part of broader cost-cutting measures. He considered that the initiative had not demonstrated sufficient returns on investments, and that the solutions created for the BoP market could cannibalize traditional businesses (McFalls, 2007). Entrepreneurship and micro-enterprise development then still received support from HP's philanthropic programs. SC Johnson experience in Kenya is another example of a BoP initiative that did not lead to the promised economic results. The Community Cleaning Services (CCS) venture was one of the flagship of the BoP Protocol (Simanis & Hart, 2008), aimed at improving urban sanitation by involving young disadvantaged populations from slums. While the venture was considered as a success in meeting the expectations of local stakeholders, its micro-franchises business model could not reach a financial performance that would justify further corporate investment (Thieme & DeKoszmovszky, 2012). The venture transitioned into a local external non-profit initiative relying on donations. SC Johnson capitalized on this pilot project and is currently deploying a new business venture in Ghana, tackling malaria infections through mosquito control products. Simanis states that "The project is part of the company's broader social mission"(Simanis, 2012), yet highlighting the integration of BoP strategies within a broader strategy of "synergistic value creation" for the company.

It is noteworthy that the shift of the BoP initiatives at HP and P&G towards their philanthropic departments to support the development of deprived communities highlights an opportunity for BoP strategies to lie in a "Reputation and Legitimacy" business case.

2.2.4 Societal value creation of BoP initiatives

On the societal value creation side, the BoP concept initially stipulates that market-based approaches, alongside profit generation for MNCs, will lead to poverty alleviation or broader development for poor populations (Prahalad & Hart, 1999). Prahalad argues that BoP populations will benefit from a social and economic transformation thanks to the consumption of an increased choice of products and services provided through market mechanisms. However, his work remains elusive on the way to describe the causal link between market inclusion and social transformation. Some critiques emerged to reject the capacity of selling new products and services to the poor as a relevant poverty alleviation approach (Arora & Romijn, 2012; Karnani, 2007b; Walsh, Kress, & Beyerchen, 2005). Simanis and Milstein (2012) reassert that the BoP concept initially focused on poverty alleviation merely as a positive externality of consumption. Over marketing of a product among poor consumers has been also denounced. 'Fair and Lovely' skin whitening face cream – another brand of HLL – has been highly criticized for not serving the broader social welfare and development needs of BoP populations (Munir et al., 2010). Karnani (2007a) testifies the benefit that Indian women are able to purchase this cream as a mean for improved self esteem and liberty of choice. However, his case study reveals that the efficacy of the cream remains doubtful. Moreover, he denounces the marketing strategy of the company, which "serves to entrench [women] disempowerment" and perpetuate sexist and racist prejudices among BoP and young populations of developing countries. While the Fair & Lovely brand is a commercial success, NGOs and some Indian government bodies considered that its social impact was negative. HLL's communication on CSR as being part of its "corporate purpose" did not ensure that its BoP strategy improve social welfare. In this context, we should consider the societal value creation of a BoP strategy as important as its financial viability, should a company consider it as an integrated part of its sustainable development strategy.

Tracking social changes is not traditional for MNCs but rather used by development institutions or NGOs. Some authors (Ansari et al., 2012; Crabtree, 2007) even called for taking into account the multidimensionality aspect of poverty or the capabilities of low-income people in the sense of Sen (1992). This shift in paradigm opened a part of the BoP literature studying new metrics of tracking social impact performance of ventures towards low-income populations, behind the sole analysis of direct sales (Clay, 2005; London, 2008). In opposition, Simanis and Milstein (2012) argued more recently that internal business performance metrics should be used as a proxy for the targeted social outcome. As an illustration, they use "units of mosquito repellent products sold" as one of the best metric by which to evaluate the contribution of SC Johnson's BoP venture to its broader social objective of preventing malaria contraction (Simanis & Milstein, 2012).

The analysis of the strategy, the organization, and the economic and societal value creation of BoP case studies complements the typology of business cases for BoP strategies aligned with CSR. This allows theorizing the conceptual framework illustrated in Table 1.2, which will be used for our cross case analysis. The next section describes the methodology.

Table 1.2: Conceptual framework of business cases for BoP strategies vis-a-vis CSR

BoP Business Case	Reputation & Legitimacy	Synergistic Value Creation	Competitive Advantage
BoP strategy	- Philanthropic and public relation activities	- Create businesses that tackle societal issues	- Growth through low-income market segment
BoP initiatives' organization	- Managed by philanthropic department or foundations (Bottom-Up)	- Driven by top management / corporate functions (Top-down)	- Deeply rooted in local business operations (Independent)
Economic value creation	- Firm's reputation	- Technology and business model innovation - Non-traditional partnership	- Tangible profitability on the short-term

Societal value creation	- Limited scale community projects	- Requires acceptance from stakeholders - Social performance monitoring	- Requires acceptance of product & services from low-income customers

3 Empirical strategy and data

3.1 Research design and case selection

Eisenhard and Graebner refer to Edmondson and McManus to explain that theory-building research using cases typically answers research questions that address the "how" and the "why" in unexplored research areas particularly well (Eisenhardt & Graebner, 2007). This approach also helps to reduce researcher biases and to increase the chance to build empirically valid theories (Eisenhardt, 1989). In the following, we apply our hypotheses to answer the research question of why and how MNCs continue to invest in uncertain contexts of BoP markets, while some others withdraw their BoP initiatives. Multiple-case study provide a systematic analysis of complex causal links in presence of numerous different factors (Yin, 1994), which is of particular importance when reviewing BoP strategies that have been already studied in the past literature, alongside new ones that we present in our study.

As defined by Yin (Yin, 2009, pp. 29-33; 2012, pp. 6-7), we selected multinational enterprises and their BoP initiatives as the main "unit of analysis" of the cases. For that purpose, we analyze seven MNCs which have already established business activities targeting BoP populations. At the time of the study, the companies maintained their investments or have already transformed their initiatives. To select cases, we focused on diverse activities in order to reveal more information than average or similar cases (Eisenhardt & Graebner, 2007) and which will guarantee heterogeneity. Companies were selected based on their role in the domain of BoP strategies (i.e. leadership), the diversity of their industry (i.e. cross sector), their modality of operations (i.e. different business models) and their geographies of intervention (i.e. cross country). Selected companies are Danone and its *danone.communities* fund and its former *BoP Business Unit*; Electricité de France (EDF) and its *Access to Energy* mission; Essilor and its *New Vision Generation* division; Grundfos and its *Lifelink* department; Lafarge and its *Affordable Housing* programme; Schneider Electric and its *BipBop* programme; and Veolia and its former *Acces* methodology and its newly established *Innove* division. The cases span different industries, proposing fast-moving consumer goods (FMCGs), durable goods or infrastructures solutions. Within each company, projects implemented may be numerous. Therefore this paper is positioned as an embedded, multiple-case study as defined by Yin (Yin, 2009, pp. 46-60; 2012, pp. 7-9), where field projects constitute the sub-cases. Within each company's initiatives, projects were selected in agreement with company representatives at the corporate level. Table 1.3 gives an overview of the selected companies' BoP initiatives and their related projects.

3.2 Data collection and method of analysis

We collected data for our case studies from multiple sources. We gathered information from secondary sources as institutional documents, communication-oriented documents and press releases from companies, professional reports from consultants, company consortiums, or international agencies, as well as previous cases from articles in academic journals, theses and books. In addition, we conducted 10 interviews with company representatives both at headquarter and at local operations who are managing BoP initiatives of the companies. The position of the author as an "insider" (Brannick & Coghlan, 2007) within the BoP industry also helped to select companies and identify key representatives who manage or actively take part in inclusive business initiatives. Companies and interviewees were identified after a 3-year period of participative observation within the BoP industry (January 2010-December 2012), conducted as a project manager of a BoP initiative in a French Multinational Enterprise specialized in energy management. The author participated in many formal meetings held by think-tanks, working groups, research workshops and conferences, or business meetings with MNCs, consultants, NGOs, Micro Finance Institutions (MFIs) and international agencies. The author also participated in many informal discussions with people working in entities cited above. This position, described by Adler and Adler as an "active member" let the author assume "a functional role in addition to the observational role", which facilitated to build "trust and acceptance of the researcher" (Adler & Adler, 1987).

Semi-structured interviews lasting between 45 minutes to 1 hour and 30 minutes were conducted between July and November 2013, mainly on a face-to-face basis with some over phone due to geographical distance of companies. Interviews were based upon a semi-structured questionnaire, which has been previously sent to participants. After an introductory phase to review strategic considerations about BoP initiative within the corporation, all interviewees were asked about the organization and the value created by the initiative they are managing, and on specific projects that are either maintained or stopped. All of the interviews were immediately recorded, synthetically transcribed, reviewed and edited. At the end of each interviews, a selection of 1 to 5 field projects at the local level were selected in order to send a survey questionnaire to their local managing directors. The selection of the projects aimed at being representative of the activities of the company in the field of BoP strategies. Questionnaires sent to local managers are structured in two parts, mostly composed of Multiple-Choices Questions, derived from the review of the literature. A first set of questions focuses on the (1) *implementation aspects of the projects* by covering: its position and links with the company's organization, its relation to BoP populations and external stakeholders, its degree of innovation applied, and the economic sustainability of the projects. The second set of questions targets the (2) *observed results of the projects* by covering: the scale and stage of the projects, the types of internal metrics used (both financial and extra-financial), the actual targeted socio-economic segments, and the returns that the company experienced during its lifetime. Quantitative data acquired through the questionnaires were then compiled into a spreadsheet application for statistical descriptive purpose and further analysis. Triangulation was performed thanks to interviews at the corporate level as well as secondary data. The following section derives the results of the cross-case analysis.

Table 1.3: Overview of Companies' BoP initiatives and their field projects

Company Name	Industry	Names of BoP initiatives	Year of first project	BoP projects geographies*	Activities in BoP projects
Danone	Food and beverage	- BoP BU - danone. communities	2005	Bangladesh, Cambodia, China, France, India, Indonesia, Mexico, Senegal	- Development of enriched dairy products or bottled water distributed in low-income areas through specific distribution channels - Financial and technical support to social businesses in the dairy or water sector
EDF	Electric utility	Access to Energy	1999	Botswana, Laos, Mali, Morocco, Senegal, South Africa	- Investment in and support to Rural Electricity Service Companies (RESCOs) to deliver access to energy to rural areas through products or small-scale infrastructures - Contributes to communities electrification in the scope of big infrastructures contracts
Essilor	Eyeglasses	New Vision Generation	2006	Brazil, China, India, Indonesia	- Formerly, creation of optometrists vans performing in-situ vision consultation and eyeglasses manufacturing in rural areas of India - At present, development of standardized lenses and frames being distributed through networks of rural entrepreneurs or alternative channels
Grundfos	Pump manufacturer	Grundfos Lifelink	2007	- Eastern Africa (Ethiopia, Kenya, Malawi, Tanzania, Uganda, Zambia) - Western Africa (Burkina Faso, Ghana, Nigeria) - South-eastern Asia (Thailand)	- Development of solar pumping systems integrating a mobile-based prepayment solution, and deployed through partnerships with NGOs, water utilities or governments - Pumping system components and services provider to NGOs, water utilities or governments
Lafarge	Building materials	Affordable Housing	2008	Bangladesh, Brazil, Cameroon, Honduras, France, India, Indonesia, Kenya, Morocco, Nigeria, Philippines, Serbia, Sri Lanka, Zambia	- Development and implementation of distribution networks of housing materials in connection with microfinance services focusing on the extension of houses or shops - Rehabilitation of slums - Social housing programs with real-estate developers and governments - New generation social housing projects in developed countries
Schneider Electric	Energy management	BipBop	2009	Bangladesh, Benin, Brazil, Burkina Faso, Cameroon, Chad, DR Congo, Egypt, Ghana, India, Madagascar, Nigeria, Peru, Philippines, Senegal, South Africa, Thailand, Vietnam, Zimbabwe	- Investment in SMEs in the sector of access to energy - Development of energy access products and small-scale infrastructures deployed in rural areas through partnership with specific distributors and MFIs or through tenders or contracts with governments - Creation of training in energy trades through sponsorship to non-profit organisations
Veolia Environ-nement	Environmental services	- Acces - Innove	2002	Bangladesh, Colombia, Ecuador, Gabon, India, Morocco, Mexico, Niger	- Contracts with local authorities combining technical support (Optimization of existing infrastructures and standpipes), financial and economic support (development of socially acceptable pricing policies and individuals socially assisted connections), and services and administrative support creation of community management organizations or mobile sales offices) - Development and implementation of a small-scale water treatment facility, which treated water is distributed to local rural communities through direct connexion or to urban areas through bottles

*Underlined geographies are sub-cases that have been studied through a complementary survey questionnaire

4 Cross-case analysis

Based on the conceptual framework, this section presents the cross-case analysis of the seven MNCs' BoP initiatives and their projects. First we classify the BoP projects based on their local strategies and discuss their economic and societal value creation. Then, we highlight the organizational anchorage of the projects in the company's global BoP initiatives and, finally, we link BoP initiatives with the corporate CSR strategies. The appendix summarizes each of the seven company cases.

4.1 BoP projects strategies at the local level

The seventeen projects studied testify for a strong willingness to create value for both the communities they are targeting and the local company. In that sense they have all adopted the BoP concept by introducing products or implementing business models that will tackle societal issues in their respective sector. We may however depict three different local strategies in investing in BoP projects: a differentiation strategy, a product and business model innovation strategy, and a low-income consumers market segment strategy. Table 1.4 illustrates the three categories of BoP strategies at the local level.

Table 1.4: Types of BoP strategies at the local level

BoP field projects*	- **EDF**: infrastructure contract (Laos) & RESCOs (Botswana, Mali, Morocco, Senegal, South Africa) - **Veolia Environnement**: PPPs (India, Niger)	- **Danone**: social businesses (Bangladesh, India, Mexico, Senegal) - **Lafarge**: affordable housing business (Cameroon, Honduras, India, Indonesia, Kenya, Nigeria, Philippines, Zambia…) - **Schneider Electric**: access to energy business (Bangladesh, Brazil, Cameroon, Egypt, India, Nigeria, Philippines, Senegal, South Africa, Vietnam…) - **Veolia Environnement**: social business (Bangladesh)	- **Essilor**: Visual correction distribution (Brazil, China, India, Indonesia) - **Grundfos**: Lifelink business (Eastern Africa, Western Africa, South-eastern Asia)
Business strategy	**Differentiation strategy (licence-to-operate)**	**Product and business innovation strategy**	**Low-income consumers market segment strategy**
Societal strategy	Answer to stakeholders' public service issues	Partner with non-traditional actors to tackle social issues	Answer to end-customers social issues
Scale of projects	Small-scale	Medium-scale	Large-scale

* Underlined projects' geographies have been studied through a complementary survey questionnaire

The projects of EDF's Access to Energy mission and Veolia's former Acces methodology primarily increase the company's legitimacy by answering to the expectations of their stakeholders and business partners. They provide access to electricity and water for deprived populations in relatively small-scale communities from the sizes of districts (i.e. slums or groups of villages) to counties. This is the case of EDF investments in the local Rural Electricity Service Companies (RESCOs) which improved its relationships with national ministries of energy and electric utility companies. Similarly, both EDF in Laos, and Veolia in India and Niger dedicated their own resources to implement projects providing access to low-income communities. These BoP projects were used in the context of a differentiation strategy to win major public service delegation contracts.

The projects managed by Lafarge's Affordable Housing program, Schneider Electric's BipBop program, Danone's danone.communities fund, and Veolia's new Innove division all testify for tackling social issues as a primary concern. Most of the projects aim at targeting medium-scale geographies ranging from counties to the whole country. All projects develop partnerships with both internal departments and external players in order to develop new local business solutions. On the one hand, internal departments bring the expertise and core competencies of the company. This is the case for Danone's industrial department which helped designing and building a small-scale yogurt's factory specifically for the Grameen Danone Foods Limited project. On the other hand, such companies rely on external players that are embedded into the communities to overcome issues of BoP business model as affordability, availability and acceptability. As an example, projects implemented by Lafarge in Indonesia, Nigeria, and Zambia joined their forces with local retailers, NGOs, and microfinance institutions in order to respectively manage distribution of construction materials, sensitization and training of end-consumers, and payment facilities.

BoP businesses launched by Essilor and Grundfos differentiate specifically by their market approach focusing on lower socio-economic segments as a new end-customer group to be targeted. The main objective of these projects is to reach the greatest number of end-customers with standardized offers through adequate access channels. Commercialized products and services therefore target relatively large-scale geographies from one to several countries. This is the case of Essilor which distributes pre-manufactured glasses through a network of rural distributors that they train to perform visual detection in their villages. It is noteworthy that Danone's BoP business unit adopted the same approach in India where the subsidiary launched the Fundooz' enriched yogurts brand. The business unit was dismantled in 2012 due to low market penetration.

4.2 Economic and societal value created at the local level

Monitoring results is key for local managers to report for the evolution of their projects. Considering the seniority of the projects, their compared results testify for an increase of customers reached per year, highlighting the capacity for the oldest ones to scale-up their activities on the long run. BoP projects will progressively develop deeper metrics to track both financial and societal results. Table 1.5 depicts the evolution of the use of financial and societal metrics per the seniority of the projects. We may however find some differences based on the BoP strategy they are pursuing.

Table 1.5: Evolution of the use of financial and societal metrics, per seniority of the projects

Seniority of projects:	**< 3 years**	**> 3 years**
Use of financial metrics: (number and % of projects)		
Revenue/sales	10 (100%)	7 (100%)
P&L, or financial ratios (RoI, RoE, RoA...)	4 (40%)	7 (100%)
Use of societal metrics: (number and % of projects)		
Number of customers or entrepreneurs reached	9 (90%)	7 (100%)
Social performance indicators	3 (30%)	4 (57%)
Social impact evaluation (experimental or non-experimental)	4 (40%)	5 (71%)

In terms of economic results, reaching the intended scale remains a critical factor to assess the success of a project. All of the projects are tracking basic business metrics as quantities sold, revenues and number of customers. BoP businesses launched by Essilor and Grundfos – that act locally as traditional business lines – testify for mobilizing more advanced financial metrics such as P&L statements and financial ratios. This is also the case for the projects run by EDF and Veolia as a mean to be accountable towards their main public stakeholders. Direct profit generation from BoP projects is acknowledged by managers as potential, but uncertain. Only three projects studied onto seventeen report for generating profit, while more than a half is still in a process of reaching the break-even. Surprisingly, Essilor and Grundfos projects have not yet reached profitability, mainly due to the recent transformation of their business approach. External subsidies may also contribute to the economic sustainability of the projects as in the case of the EDF's RESCO, Kurayé Kurumba, in Mali that faced an increase of its operating expenses due to the volatility of the price of oil. All the BoP projects categorized in the "product and business innovation" strategy – with the exception of Lafarge in Indonesia – are still in a process of validating their economic sustainability. This is mainly justified by the longer time frame required by managers to validate such non traditional business models for the company.

Still pertaining to economic outcomes, our surveys reveal that project managers also recognize the capacity for BoP initiatives to capture indirect financial benefits or even extra-financial returns. Project managers testify for improved relationships with traditional business partners in half of the cases, especially for the ones seeking a licence-to-operate with local authorities. Reputation appeared to be valuable outcomes of projects inscribed in a “product and business innovation” strategy in order to compensate for limited profitability. Image improvements attracted new customers as in the case of Schneider Electric in Nigeria thanks to the press coverage of the inauguration of village electrifications. In terms of human resources, BoP projects aimed at innovating products and business models specifically report for an increase of the engagement, motivation and pride of local employees, as well as the development of new local competencies. However, almost none of the projects reported for tracking such performance related to reputation, image, human resources or innovation on which the company would capitalize for its traditional business and broader strategy.

When it comes to the societal value creation, all the projects testify for reporting basic metrics as the number of customers and communities reached or the number of micro entrepreneurs involved in the model. Yet, the definition of the poverty level of targeted populations rarely go further than a wide designation or specific categories as rural women or slum inhabitants. Only projects embedding microfinance in their model or dealing with social tariffs policies will actually track income thresholds of end-customers to determine their eligibility to get the product or service. In terms of broader societal change induced by the projects, more than a half declared for having performed social impact evaluations. This is notably the case for almost all of the oldest projects. Communicating on and being accountable towards societal value creation appears to be respectively determinant for BoP projects gathering multiple partners as in the case of a product and business innovation strategy, or for projects relying on public and international development funding such as EDF and Veolia.

4.3 Organizational anchorage of BoP strategies

The 17 projects studied at the field level are implemented either by internal business operations of companies or by external ventures in which the company has stakes. Half of the projects are operationally managed by external associations or private companies and receive strong support from the companies’ BoP initiatives. This is the case for danone.communities projects, EDF’s RESCOs, and Grameen Veolia Water Ltd joint venture between Veolia Eau and Grameen

Healthcare. The other half, which are implemented by Essilor, Grundfos, Lafarge, Schneider Electric and Veolia, rely on the local companies' operations with an average of 4 to 5 employees who are managing them.

In order to globally implement their strategies towards BoP segments, companies will organize through specific corporate initiatives. All the studied companies' BoP initiatives affiliate to headquarters divisions, which are themselves closely related to or part of the executive committees. The closeness with the company top management will give the projects the mandate to develop market approaches based on their own rules. As such, BoP initiatives aim at protecting the field projects from the influence of traditional business metrics and processes. The BoP initiatives are also in charge of defining the strategy and the financial and societal objectives either directly or through their presence in the board of external ventures. Interviews at the corporate level crossed with questionnaires at the field level nevertheless permit to identify three ways to operationalize BoP projects or ventures depending on the strategy that the projects adopted. Table 1.6 depicts the ways of implementing BoP initiatives and their projects.

Table 1.6: Organization of corporate BoP initiatives towards local projects

BoP field projects*	- **EDF** - **Veolia Environnement (Acces)**	- **Danone** - **Lafarge** - **Schneider Electric** - **Veolia Environnement (Innove)**	- **Essilor** - **Grundfos**
Organization of the BoP initiative	Transversal corporate function	Incorporated function	Dedicated vertical business unit
Role of the BoP initiative	Support local operations or create external venture	Connect with company's support functions & local operations	Operate autonomously
Relation with business operations	Bottom-up: Answer to the needs of decentralized business units or stakeholders	Top to bottom With strong involvement of countries' management and operations	Independent: Take advantage of the local brand recognition and market penetration

BoP projects, which aim at innovating products and business models, dedicate local project managers who are part of the companies' local team. Based on the BoP strategy defined at the corporate level, such a decentralized management ensures project's adaptation to local contexts and the targeted market segment. This ensures a greater connexion with internal business operations as in the case of Danone, Lafarge, Schneider Electric and Veolia in Bangladesh. In most of the cases, the corporate BoP initiative will adopt a top to bottom approach by involving local top management in order to discuss the progression of the projects. On the contrary, in the case of projects pursuing a local differentiation strategy, the role of the corporate team of the BoP initiatives will rather adopt a bottom-up approach. Indeed, the Access to Energy mission at EDF and formerly the Access methodology at Veolia act as a back-office for legal, financial and technical issues and facilitate occasional contributions from support functions of the multinationals in terms of R&D, legal, accounting, or human resources aspects. Moreover, their position close to the company's top management helps to initiate discussions with international partners from the development sector as NGOs or financial institutions and build the company's licence-to-operate. Finally, companies like Essilor and Grundfos that adopted a low-income consumer segment strategy will rather develop autonomous lines of business. Their BoP initiatives will act independently by vertically integrating all required capabilities from product R&D to rural distribution through manufacturing and marketing. It is noteworthy that Essilor and Grundfos chose their geographic settlement in countries where the brand was sufficiently recognized. Danone took the decision to dismantle its BoP business unit in India precisely because to the company's low brand awareness. The Fundooz product managers had to face too high marketing costs that downgraded the short-term profitability.

4.4 Corporate responsible strategies embedding BoP strategies

All the studied companies testify for a deep integration of sustainable development stakes into their corporate strategy. While most of them integrated first environmental concerns into business considerations, societal issues and community engagement emerged primarily through philanthropic activities and charitable actions. When it came to developing sustainable business models that addressed societal issues faced by the Base of the Pyramid populations, the seven companies testify for an extension of their core activities influenced by their Corporate Social Responsibility as well as a leadership position in their respective industries. However, we may notice three different ways of engaging the overall strategy of the companies towards the BoP segment through *sustainable development charters,* global *sustainable development plans,* or a *strategic repositioning of the firm*. These three types of engagement highlight an extension of the boundaries within which companies' strategies are contributing on a business basis to tackle societal issues faced by the Base of the Pyramid.

First, companies like EDF and Veolia Environnement will stipulate their general engagement to settle a BoP initiative through specific sustainable development charters, shared between the management and their stakeholders. Their declared support to tackle social issues will be primarily described as an ethical responsibility of the firm, similar to philanthropic commitments. Secondly, companies like Lafarge and Schneider Electric will commit further by establishing periodic sustainable development plans impacting the whole company's activities. The progress of their sustainable development commitments is communicated externally through dashboards. Within their dashboards, Lafarge and Schneider Electric included global objectives related to their BoP activities, mobilizing "shared value creation" purpose towards this market segment. Third, companies like Danone, Essilor and Grundfos will reposition their company strategy to specifically address the societal responsibility of targeting the Base of the Pyramid. It appears that the overall strategy of the firms have integrated the fact that lowest socio-economic segments represent a growth opportunity. Table 1.7 provides the evidence of these three types of Corporate Responsibility engagement towards the BoP market.

Table 1.7: Three types of Corporate Responsibility engagement towards the BoP segment

Corporate Responsibility engagement	Companies' BoP commitment	Source
Sustainable development charters	**EDF** Article 16 of the "Agreements on EDF Group Corporate Social Responsibility": - "The signatories consider that access to energy is a major factor in social and economic development and a key factor in the fight against poverty." - "EDF Group and its component companies take initiatives or support initiatives through partnerships in various countries, in particular in regions where they are based, to promote better access to energy for communities."	(EDF, 2009, p. 13)
	Veolia Environnement Commitment 11 of the sustainable development charter: - the company "contribute to local economic and social development and to meeting international goals for access to essential services"	(Veolia Environnement, 2013, pp. 19-25)
Sustainable development plans	**Lafarge** "Sustainability ambitions for 2020": - The Affordable Housing programme will have to "enable 2 million people to have access to affordable and sustainable housing"	(Lafarge, 2012, pp. 12-13)
	Schneider Electric "Planet & Society Barometer", renewed every three years. For the period 2009-2014, the company committed: - to provide access to energy on a sustainable basis to a cumulative two million people; - and to train in energy trades a cumulative of 30 000 people.	(Schneider Electric, 2011, p. 2; 2013, p. 6)
Strategic repositioning of the firm	**Danone** In 2003, the company's slogan changed from "bringing health through food" to "bringing health through food *to as many people as possible.*"	(Faivre-Tavignot et al., 2010)
	Essilor In 2005, new responsible mission has been "to preserve and correct the eyesight *of each and every person, around the world*", reasserted in 2006 with their mission "to enable *as many people as possible* to see the world better."	(Essilor, 2006; 2007, p. 3)
	Groundfos In 2008, the Group will commit with a "framework of shared value" for both the company and the society. "Company purpose": "We contribute to global sustainability by pioneering technologies that improve quality of life for people and care for the planet". It specifies that the Group is "always eager to find solutions for the world's most poverty-stricken communities and people with special needs."	(Grundfos, 2009, 2013)

5 Discussion of the findings

5.1 The business cases for BoP strategies

When targeting markets at the Base of the Pyramid, all companies' representatives report for their progressive building of a business case towards their management in order to justify the investment in BoP initiatives. Depending on the firms' sustainability strategy, BoP initiatives will receive the mandate to create both direct and indirect business results, as well as to capture short, midterm or long-term corporate returns for the company. Interviews with corporate managers and directors reveal three business rationales for their BoP initiatives, which mainly aim at *differentiating* to gain a license-to-operate; *innovating in terms of products and business models* to develop future value propositions; or targ*eting low-income consumer market segment* to find growth opportunities. It is noteworthy that this typology can be related to our conceptual framework of CSR business case typology. Table 1.8 depicts the three business rationales of the studied BoP initiatives.

Table 1.8: Three business cases for BoP initiatives

CSR strategy towards the BoP	Legitimacy (e.g. Sustainable development charters	Synergistic value creation (e.g. Sustainable Development plans)	Competitive advantage (e.g. Strategic repositioning of the firm)
Focal point of value creation	Stakeholders	Corporation	Shareholders
Business case for BoP Initiatives	**Differentiation**	**Product and business model innovation**	**Low-income consumer market segment**
Company returns	Mid-term: - Licence-to-operate - Public relations	Long-term: - Strategic renewal - Corporate reputation	Short-term: - Growth - Profitability
BoP projects' economic value creation	Indirect <- -> Direct - Differentiation strategy - Contracts or tenders won	- Develop new value propositions - Attract new customers	- Increase market shares among low-income segment
Examples of BoP initiatives	- EDF: access to energy mission - Veolia Environnement: former Acces methodology	- Danone: danone.communities fund - Lafarge: Affordable Housing programme - Schneider Electric: BipBop programme - Veolia Environnement: new Innove division - Grundfos: former Lifelink venture	- Essilor: new Vision Generation division - Grundfos: new Lifelink business unit - Danone: former BoP business unit

5.1.1 *Differentiation*

Projects providing access to basic needs related to public services as energy and water evolve in a regulated environment and require significant investments. This implies often to deal with authorities and regulatory entities. A stakeholder management approach helps to align with their expectations and gain legitimacy. Companies gain their licence-to-operate by targeting lower income segments in traditional contracts. One of the managers of Veolia Environnement explains that the competencies acquired through project experimentations within contracts can help to prevent reputational risks and demonstrate to future customers that innovative solutions can be applied to serve every socio-economic segment. In the context of BoP strategies, business environments also present limitations in terms of legal mechanisms or infrastructures. Adaptation to such sensitive local contexts represents a mean to develop new capabilities for corporations among their industries (Mary, 2013). In a general perspective for Veolia Environnement, providing access to essential services is also a competitive advantage stake. The company's position of public service delegation means that everyone has to be targeted with a single tariff. One of its managers clearly mentions the development of a "strategic differentiation" and an "economic value added", which both help to win new types of contracts and tenders. Similarly, EDF's Access to Energy mission contributes to local business activities to include a social clause to the contracts as a mean to win big dam infrastructure projects as in Laos or peri-urban electrification programmes as in Africa.

5.1.2 *Product and business model innovation*

By essence, incubating new "shared value" projects implies translating them into recurrent or long-lasting opportunities. Innovation is at the heart of such business rationale. Societal engineering is addressed primarily during the early development stage of BoP initiatives by developing specific products and adapted business models. danone.communities built metrics to evaluate the successfulness of their social intervention. Its managing director explains that the key performance indicators they use "continue to make traditional business men smile". In opposition to our conceptual framework, reputation building through communication on their societal commitment towards the BoP appears critical. Image improvement will mainly justify the limited evidence of a clear profitability of the projects in the short term. Lafarge's manager testify for a double societal and economic purpose with both the 2020 CSR ambitions of the Group with societal objectives that are communicated externally (Lafarge, 2012), and an internal commercial plan running until 2015 with operating income objectives. In a second step, BoP initiatives will focus on their economic sustainability in order to first reach the break-even and then potentially generate profits to be scaled-up. In that sense, one of the representatives of

Danone reminds that “Social Business is business”. At the time of writing this paper, the managers of Schneider Electric were studying the potential to consider the commercial activities of the BipBop programme as a line of business. The potential for BoP initiatives to reach scale in terms of sales or to become a customer value proposition on its own appear to be the determining criteria that will be assessed by management teams to decide whether they can evolve towards a mainstream business activity.

5.1.3 Low-income consumer market segment

BoP strategies becoming new growth avenues for multinationals remain a central question within BoP initiatives. The assumption of potential profit generation that can be directly attributed to BoP strategies has been widely accepted by companies’ consortiums and analysts (Mary, 2013; Natixis, 2012; WBCSD & SNV, 2008). Such a challenge has already been taken by Grundfos and Essilor. Benefiting from a leading position in their respective sectors, both companies testify searching for a first-mover position in BoP markets, granting them a competitive advantage. In that case, objectives of BoP initiatives are mainly commercial ones. KPIs intend to reveal the mass phenomenon that companies are trying to reach. As an illustration, Essilor sales objectives within the “New Vision Generation” division will try to reach 46 million people per year by 2020, representing a present market share of 10%. Both Essilor and Grundfos’ initiatives differentiate by their market approach focusing on lower socio-economic segments as a legitimate end-customer group that has to be targeted. This is acknowledged by BoP field managers in both firms who recognized the shift in the company’s strategy with the recent creation of a specific business unit focusing on this untapped market segment.

5.2 Trajectories of BoP strategies and barriers to grow

We may notice that BoP initiatives may adopt different trajectories for their business case. Strategies adopting a *differentiation* business case could lead to a *product and business model innovation* one, which in turn could potentially lead to a *Low-income consumer market segment* business. A trigger to make evolve these BoP initiatives stands in the revalorization of their business case. In other words, the top management of some companies reconsidered positively the value that BoP projects could create for the whole company. BoP strategies at Veolia and Lafarge illustrate a shift from a “differentiation” business case towards a “product and business model innovation” one. Veolia started by creating the “Accès” methodology led by the Sustainable Development department that adopted a legitimacy CSR strategy. The program took stock on several field contracts that integrated a social engineering clause meant to serve the BoP populations. At the time of writing this paper, this supportive approach towards business operations was being translated into a more top-down approach. The new "Innove" division, being settled within the Market Innovation executive department, would now be in charge of developing social innovation projects similar to the one implemented in Bangladesh in a synergistic value creation CSR strategy. Similarly in the case of Lafarge, pilot projects in social housing programmes in agreement with local authorities and real-estate developers contributed to the shift in the management team perception that BoP markets could be seen as a potential business opportunity rather than a public-relation mean (Perrot, 2011, pp. 85-87). The BoP initiatives at Essilor and Grundfos illustrate a shift from a "product and business innovation" business case towards a "low-income consumers segment" one. Their projects aimed at incubating potential new commercial activities translated into protected lines of business that adopted a stronger profitable business rationale. Such a shift towards a profitable growth strategy at the BoP market has to be correlated with the recent change of both corporate strategies, which now specifically target deprived populations as a competitive advantage responsible strategy. Table 1.9 illustrates the trajectories of BoP strategies adopted by some companies.

Table 1.9: Trajectories of BoP strategies

	Differentiation	Product & business model innovation	Low-income consumer market segment
Examples of trajectories	**Veolia**: former 'Accès' Methodology	=> **Veolia**: new 'Innove' division	
	Lafarge: Social housing projects	=> **Lafarge**: 'Affordable Housing' programme	
		Grundfos: former 'Lifelink' venture	=> **Grundfos**: new 'Lifelink' BU
		Essilor: former optometric vans pilot projects	=> **Essilor**: 'New Vision Generation' division
Barriers to grow	- Projects' scale limited by nature - Limited profitability of the projects - Rely on awareness of social stakes from operations	- Start-up positioning potentially marginalized from local business stakes - Require adoption from support functions (HR, marketing, R&D, logistics…) - Requires time to reach profitability	- Sensitive to short-term financial results objectives - Market captures approach requires pre-existent brand recognition

While we have highlighted potential evolving trajectories for BoP initiatives, we cannot however pretend that adopting a "low-income consumer segment" business case is an end for every BoP strategies. Companies may well maintain their BoP project and valorise their indirect business or extra-financial returns. Depending on the adopted corporate responsibility strategy – and therefore the company's positioning towards low-income populations – BoP initiatives might well maintain in one of the three BoP business cases. In that case, the BoP projects will have to generate the intended returns that would justify companies' investments. As an illustration, danone.communities managing director stipulates that the fund "is a laboratory to reach the greatest number of people, and that's it". In other words, the company intends to capitalize on products and business models innovations developed under the danone.communities fund projects for more mature and traditional markets (Faivre-Tavignot, 2012; Faivre-Tavignot et al., 2010). Similarly, the EDF initiative has been granted a mandate to contribute to access to energy with an objective to improve the company's relations with local authorities or to support local operations in winning major contracts by adding social clause to their proposal. In that sense, BoP projects at EDF are not meant to become new profitable growth avenues for the company but rather a lever to improve the company's legitimacy.

Most of the interviewed corporate managers testify for their willingness to scale-up BoP initiatives. However, we might identify barriers for BoP strategies to grow depending on their business case, as described in Table 1.9. For a "differentiation" business case, projects' scale are limited by nature as they will be circumscribed to the populations that are targeted by the concessions granted by local authorities as in the case of EDF RESCOs in Africa or by the public service delegation contract they aim to win. In the absence of such local contract opportunities, local operations will be reluctant to ask the corporate BoP initiative to implement BoP projects, mainly due to their limited profitability. Under a "product and business model innovation" business case, the incubation status of the pilot projects and their difficulty to reach the break-even represent a risk for marginalization within the company. Without a strong commitment from the top management, operational entities at the local level and support functions might not be willing to bear the costs of supporting the BoP projects. Finally, under a "low-income consumer market segment" business case, it appears that BoP projects need to rely on an existing and strong brand awareness of the company to lower the costs of marketing. In this case, profitability of the projects will be one of the first criteria to assess their success. The example of Danone, which dismantled its "BoP" business unit in India, illustrates the sensitivity for such BoP business case to maintain if they do not reach profitability in due time.

6 Conclusion and suggestions for further research

The existing literature on the Base of the Pyramid concept supports the assumption of a strategic dichotomy between a commercial approach aimed at capturing untapped markets of low-income consumers, and a societal approach aimed at including deprived populations to maximize poverty alleviation. Similarly, the CSR literature depicts several business cases of corporate responsible strategies. Depending on their authors, BoP activities are mobilized as illustrations of sustainability strategies but are restricted to some specific business cases. The case studies of seven MNCs presented in this paper demonstrates that these positions should be revised. They demonstrate that BoP strategies might adopt different business cases that grant them the legitimacy to maintain. Beyond the sole generation of profit, BoP strategies might receive the mandate to capture indirect business returns or extra-financial benefits that would justify the investments.

The likelihood of sustainability for BoP strategies will rather derive from their positioning within the broader corporate responsibility strategy of the company. A conceptual framework was developed to further analyze the strategic, organizational, and value creation positioning of successful and failed BoP projects in regards of corporate responsibility strategies. The cross-case analysis reveal trade-offs between profit maximization and CSR returns. As such, companies searching for a licence-to-operate will maintain non-profitable BoP projects in the context of bigger traditional contracts that support their cost. On the contrary, BoP projects might be very sensitive to short term profitability if their company consider low-income consumers markets as a growth opportunity. In between, BoP strategies benefiting from a "shared-value" positioning within the firm will face less pressures to achieve short term profits in order to incubate new products and business models with non traditional partners that might be translated into future mainstream value propositions.

In terms of guidelines for practitioners, our case studies provide some conclusions for BoP strategies to evolve, maintain, or scale-up within corporations.

First, while firms are evolving organizations, BoP strategies are subject to transform with them. A change in the CSR strategy might induce a revalorization of the business case of BoP strategies. Such corporate strategic change should be anticipated by BoP initiatives' manager to leverage their returns for the company. For instance, the transformation of Essilor's BoP pilot projects into a profitable line of business accompanied the overall strategic change of the company's societal responsibility to specifically consider BoP markets as a growth opportunity.

Second, while BoP initiatives do not deliver tangible profitability in the short-term, they are relatively innovative activities requiring investments from MNCs. Awareness and identification of the full potential returns for the company provides managers a rational discourse to justify their legitimacy and maintain in time. The typology of business cases for BoP strategies developed in this paper provides a first conceptual approach to apprehend indirect business and extra-financial returns.

Third, the possibility to scale-up or replicate BoP projects will be greatly subject to the organizational anchorage of their overarching initiatives. The more involved is the top management, the easier BoP initiatives will embark traditional business operations and support functions that will contribute to their development. This would secure their status within the company and better inscribe them as an integral part of the company's strategy.

Finally, our paper provides some avenues for further exploration. Our conceptual framework of BoP business cases is a first attempt to apprehend the different types of benefits that might be generated. Still pertaining to an ex-post economic evaluation of BoP initiatives or more broadly of CSR activities, we call for refining the framework in order to better quantify and valorise each of their business cases. Second, we have depicted some trajectories for BoP strategies to switch from one business case to another. Recalling the initial proposal of the BoP concept, we encourage future research in analyzing the barriers to become a business opportunity per se. More specifically, we think that there are some governance issues within firms that need to be apprehended. Finally, while a double economic and societal value creation of BoP strategies are taken for granted; our empirical findings suggest that companies are mobilizing just a limited number metrics or methods to measure their social impact or performance. Future studies could investigate the way companies might be accountable and build their societal legitimacy at the Base of the Pyramid, beyond solely relying on a "simple" tracking of the number of poor people reached.

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Appendix: Company cases summary

Danone

Danone is a French-based global leader in the food and beverage industry with market positioning in dairy products, bottled water, baby food and medical food. It permitted Danone to reach a turnover of €20 billion in 2012, employing 102 000 people. In the past 10 years, the top management of Danone ambitioned to expand its traditional positioning in premium markets towards lower segments of the economic pyramid to find new growth opportunities. This major shift operated in 2003, when the company changed its slogan from "bringing health through food" to "bringing health through food *to as many people as possible*" (Faivre-Tavignot, Lehman-Ortega, & Moingeon, 2010). It was translated into strategic plans with the company programme "New Danone" set in 2008 for which the executive board set four new priorities called "Health, For all, Nature and People". The "For all" priority, which focuses on opening the company to new lower-income population market segments has been translated into two new entities: the danone.communities (d.c) fund and the "Base of the Pyramid" business unit (BoP BU), respectively created in 2008 and 2010 (Faivre-Tavignot, 2012). Until 2012, both entities hierarchically affiliated to the Middle East and Africa Business Unit, which focuses on emerging markets. At the time of writing this paper, Danone was redefining the "For All" priority and thus the BoP and social business approaches at the corporate level of the Group.

danone.communities is a mutual fund that invests in and supports the development of social businesses in the sense of Yunus (danone.communities, 2013; Yunus, 2008). Its governance is based on an independent Board of Directors, which decides for its strategic orientations, while its investment decisions follow a three-step approval through different committees. All of those entities are composed of Danone senior managers, experts in socially responsible investments and development in emerging economies, and bankers. In late 2013, d.c invested in 10 ventures, namely Grameen Danone Foods Ltd and JITA in Bangladesh, 1001 Fontaines in Cambodia, NutriGO in China, Isomir and Projet Malin in France, Naandi Community Water Services in India, El Alberto in Mexico, and La Laiterie du Berger and Lemateki in Senegal. Since 2012, d.c's corporate team is temporarily affiliated to the Deputy General Manager of the Group in charge of corporate functions but remains under the independent governance of its Board of Directors.

The BoP Business Unit, was in charge of transferring knowledge acquired within d.c to specifically target BoP market segments in a mass phenomena first across India. The BoP BU was in charge of creating the Fundooz' enriched yogurts brand in India. However, it was dismantled in 2012 due to the lack of time to create the product and its packaging, as well as to deliver sales figures. Moreover, investments in promotion and advertisement were too costly and degraded the P&L. Danone's objectives to reach as many people as possible remains a strong objective, managed under a methodology called "Route to Market" (Danone, 2012, pp. 27-35). The deployment of products and brands towards BoP market segments is now decentralized to local country operations where the Group has enough brand recognition to expand its market penetration towards lower socio-economic segments. Countries and subsidiaries use a "business model centric" approach to distribute adequately products and brands in emerging countries (Danone, 2013, pp. 22-27).

Electricité de France (EDF)

Electricité De France (EDF), is a French-based electricity utility leader in Europe with activities in generation, transmission, distribution, energy supply and trading. The Group generated consolidated sales of €72.7 billion in 2012, of which 46.2% outside of France and employs 160 000 people. Since the early 1990s, the EDF Group has been involved in promoting energy access in developing countries. First initiatives used a philanthropic approach to deliver decentralized electrification solutions in rural areas of Africa (Heuraux, 2010a).

In 1999, the company decides to take or support sustainable initiatives "to promote access to energy for communities". This commitment took the form in the "Agreements on EDF Group Corporate Social Responsibility" that were signed between all the stakeholders of the company (EDF, 2009). Its article 16, called "Actions in favour of access to energy", clearly stipulates, "The signatories consider that access to energy is a major factor in social and economic development and a key factor in the fight against poverty". This shift in the company's societal engagement translated into the creation of specific business ventures, namely Decentralized Services Companies (DSCs) based on the model of Renewable Energy Service Company (RESCOs) (Heuraux, 2010b). DSCs are governed by local law, employing local managers and personnel. Every DSCs sell decentralized energy services for at least 10 000 rural customers over a defined area, which they are granted under a concession for a renewable period of 15 to 25 years. Since the launch of the model, the Group's management contributed to the funding of six SSDs through equity or debt in Botswana, Mali, Morocco, Senegal and South Africa (EDF, 2013). The Group's financial contribution represents an amount close to €8 million, alongside with funding from local companies or utilities, multinationals, banks, and development banks or agencies.

Access to energy projects within the Group are now managed from the "Africa and Access to Energy" department of the "International Development Division", which is affiliated to the Presidency of the Group. In respect with its strategy of transferring RESCOs to local partners, EDF sold its stakes of three of them, while it still contributes to their economic viability through continued skill support. Recently, the Mission objectives have been positively revalued by the management team to propose a systemic approach to the Group's partners. The Access to Energy Mission is also responsible to support access to energy solutions to local communities in the context of contracts of big infrastructures such as the Nam Theun 2 hydraulic power plant in Laos or peri-urban electrification schemes in Brazil, Argentina, South Africa and Morocco. This provides the Mission a transversal positioning within the Group. In parallel, the EDF Foundation contributes through project support with a specific focus with its newly renamed entity, EDF Help, which contributes through material, competency and financial support in case of emergency and relief situations or development projects.

Essilor

Essilor is a French-based leading ophthalmic optics company, which designs, manufactures and market lenses to improve and protect eyesight, as well as develops and markets equipment, instruments and services for eyecare professionals. Essilor reported consolidated revenue of approximately €5 billion in 2012 and employs 50 700 people worldwide. The same year, Essilor celebrated the 40th anniversary of the merger of the cooperative Essel and the company Silor that founded the Essilor Group. This merger stated the mission of the Group as "seeing the world better".

When the Group built its Sustainable Development department in 2002, the company took stock on the fact that five billion people do not have access to vision professionals, while, among them, 2.5 billion do not have access to visual correction. Its new responsible mission has been "to enable as many people as possible to see the world better" (Essilor, 2007). Alongside the globalization strategy initiated by Xavier Fontanet, the former CEO, the sustainable development department supported the Vice President South Asia, Middle-East, South Africa & East Africa to create in 2006 an innovative business approach to reach profitably unprivileged people in rural India (Garrette, Benkirane, & Roger-Marchant, 2008). Essilor took advantage of a partnership with two large non-profit eye-care hospitals in India, namely Aravind and Sankara Nethralaya to develop mobile vans that perform in-situ optometrist tests, lenses production and eyeglasses sales. Up to 12 vans developed by Essilor have been accompanying another series of 12 ophthalmologic vans owned by the two hospitals to perform distant consultations through satellite communication. This model permitted Essilor to follow the sustainable development department rules to provide visual corrections following professionals' prescriptions and to remain in the formal economy. Although the 12 optometric mobile vans succeeded in reaching economic viability, the project has not been replicated on a larger scale due to two limiting factors. First, production capacity of lenses within the vans could not exceed 32 customers a day, lengthening the return on investment period. It was also far too few compared to the 5000 daily consultations the ophthalmologic vans could perform. Secondly, Essilor would have faced the low appeal from optometrists to travel in rural areas.

Since the arrival of Hubert Sagnières as the new CEO of Essilor in late 2011, Sustainable Development's image has been revalorized as a sales growth opportunity. For this purpose, Mr Sagnières created the "Corporate Mission" department, hierarchically and functionally related to the top management and under the supervision of the former president of Essilor India. The Corporate Mission will be in charge of creating a "New Vision Generation" division, intended to be autonomous and independent from business, while targeting the 2.5 billion people that do not have access to visual corrections. Activities will start in Brazil, China, India, and Indonesia. A business-model centric approach will focus on creating a network of village level entrepreneurs who will perform visual detection in their villages. In parallel, standard lenses will be manufactured prior their shipment to customers. Product innovation also concerns the eyeglasses frames as lenses can be assembled on both sides. Such a model permits Essilor to control and reduce drastically the market retail price of eyeglasses while offering a large choice to customers. Essilor intends to reach 46 million people by 2020, targeting a 10% of market share in countries it operates. Alongside the New Vision Generation division, the Corporate Mission department remains in charge of the Sustainable Development department for reporting and communicating CSR integration and promoting internal ethics and business conduct principles, as well as the company's Foundation for charity activities. A last axis, the Vision Impact Institute, was created to advocate on the broad impact of vision correction.

Grundfos

Grundfos Holding A/S is a Danish-based leading pump manufacturer. Grundfos turnover in 2012 exceeded €3 billion and employs 18 000 people working in more than 50 countries. Taking stock on the global concern about water management for a sustainable development, Grundfos reported the integration of environmental issues into its core activities since the early 2000's (Grundfos, 2002). In parallel, the Group initiated philanthropic activities towards society, in line with its first shareholder, The Poul Due Jensen Foundation, for which one of its mission is to donate to a number of charities and educational or scientifically oriented projects (Grundfos, 2008).

In 2009, Grundfos testifies for the integration of Corporate Social Responsibility as an essential element in its business strategies (Grundfos, 2009). The Group will commit with a "framework of shared value" both for the company and the society, two years before this concept will be popularized by Porter and Kramer (2011). In particular, the New Business division of the

Business Development executive department of the Group will build Grundfos Lifelink. This new subsidiary venture aims at targeting rural communities in Africa, Asia and Latin America with a sustainable supply of safe drinking water at an affordable price. The company will innovate to offer a turnkey water solution integrating a standard Grundfos pump, renewable energy production, a water dispenser and mobile payment facilities. Since the launch of Grundfos lifelink in March 2009 in Kenya, this satellite company has covered 40 projects giving access to clean water to 100 000 people, commissioned in partnership with local governments or development organizations (Grundfos, 2013).

The pilot phase in Kenya demonstrated to the company's management that a business case could exist in targeting the $8.4 billion latent market for the water and sanitation sector composed of potential customers such as water utilities and players of the development sector. At the time of writing this paper, Grundfos Lifelink was being integrated back into the company, becoming a standalone division of the Business Development executive department. Lifelink was progressively getting the mandate to become responsible for this new market segment composed by the Base of the Pyramid end-customers.

Lafarge

Lafarge is a French-based worldwide leader in building materials with activities in cement, aggregates and concrete. In 2012, Lafarge posted sales of €15.8 billion, and employs 68 000 people. The company's responsibility started to formalize in the late 1990's with the parallel rise of concerns towards stakes of the extractive industry, and more specifically the cement industry. To tackle related issues, Lafarge built a stakeholder management approach; initiated numerous partnerships with NGOs such as WWF or CARE; and involved in the World Business Council for Sustainable Development's initiative on sustainable cement industry (Lafarge, 2003). Similarly, the company initiated charity partnerships with NGOs to address social issues such as housing projects for underprivileged people, which also focused on families living close to its production sites. In the mid 2000's, Lafarge took part in governmental social housing projects as a Public Relation lever. As highlighted by Perrot, "the BOP issue was mostly perceived as a social issue" and "Not a business opportunity" (2011, pp. 86-87).

First concern within Lafarge regarding the potential market that exists at the Base of the Pyramid segment emerged in 2007, through a research partnership with Ecole Polytechnique, France, initiated by the Strategy Department of the company. Its newly "Sustainable Housing" programme performed market studies in Indonesia, which was under reconstruction phase after the tsunami that struck the country in 2004, and led to two pilot projects (Perrot, 2011, pp. 89-95). The first one, led by Lafarge Indonesia, consisted in a social housing project in Medan, Sumatra Island, in partnership with a professional association of real estate developers, the Indonesian government and the local municipality. The agreement secured the supply of cement to construct 5 000 houses. The second project, focused on house or shop extensions needs rather than construction, which was unmet due to loan scarcity for low-income people. In partnership with the NGO Care, its Indonesian subsidiary specialized in microcredit, and local microfinance institutions, an innovative business models was created to combine microcredit, supply of cement, sensitization of borrowers, and skills support to local retailers and masons.

Learning from the pilot phase led the top management of Lafarge reconsider the BoP segment as “A business opportunity”. An “Affordable Housing” division was created in 2012 under the newly Innovation department with double commercial and social impact objectives. While an internal innovation plan runs until 2015 with profit targets, the company’s management set a societal plan running until 2020. Among its nine ambitions, the Affordable Housing programme will have to “enable 2 million people to have access to affordable and sustainable housing” (Lafarge, 2012) . In late 2013, the Affordable Housing initiative was active in 15 countries, combining different market approaches: microcredit for individual home improvement or extension; “mass affordable” housing programmes with real-estate developers; rehabilitation of slums in-situ; and new generation social housing in developed countries.

Schneider Electric

Schneider Electric is a French-based leader in energy management with activities in utilities and infrastructure, industries and machines manufacturers, non-residential building, data centers and networks and in residential. In 2012, the company achieved revenues of €24 billion and employs 140 000 people worldwide. Schneider Electric focuses on “making energy safe, reliable, efficient, productive and green”, which highlights the environmental embeddedness into its core value proposition. The company’s concern about societal responsibility first emerged in 1998 with the creation of the Schneider Electric Foundation (Vermot Desroches & André, 2012). Its ethical mission based on philanthropy consists in promoting youth integration through vocational training in energy trades. Four years later, the Sustainable Development department, affiliated to the Executive Strategy and Innovation division, will be created to manage the strategic plans in terms of sustainability that are quarterly tracked under the Planet & Society Barometer dashboard.

In 2009, following the goal of Jean-Pascal Tricoire, President and CEO, to improve the societal engagement and to reaffirm the innovation capacity of the firm, the Sustainable Development Department launched the BipBop programme (Vermot Desroches & André, 2012). BipBop stands for “Business, Innovation, and People at the Base of the Pyramid”. The aim of the programme is to contribute to access to clean energy for low-income populations mainly in rural areas of Sub-Saharan Africa, India, and South-East Asia, through the development of a combined approach of philanthropy and business. The different pillars of the program aim at developing a local economic fabric through impact investments; deploying specific access to energy products and solutions through the creation of adapted business models; and promoting long-term competencies by sponsoring the creation of training with non-profit partners.

Since its launch, the BipBop programme, considered as an internal "start-up", knew a constant growth and integration within the company's organisation though the support from Research and Development, manufacturing plants, internal supply chain and local operations. Its objectives, both commercial and societal, increased every year. In late 2013, the programme had invested in eleven SMEs in the field of access to energy and job integration. The planet & Society Barometer of the company testifies for having provided access to energy on a sustainable basis to close to two million people; and for having supported the creation of 40 training projects, which trained over 40 000 people (Schneider Electric, 2011, 2013). At the time of writing this paper, the company's management was studying the potential to consider BipBop as a line of business regarding its commercial activity.

Veolia Environnement

Veolia Environnement (Veolia) is a French-based world leader in environmental solutions with activities in water management, waste management, and energy management for municipal and industrial clients. Veolia Environnement recoded revenue of €29.4 billion in 2012, and employs 220 000 people. The company's position in the domain of public service delegation implies to target every socio-economic segment of populations where the company operates, either it is required by public policies or as a competitive advantage component of tenders. In the past 15 years, Veolia developed technical and industrial competencies in targeting low-income people through public-private partnerships.

The company recently reasserted its engagement to "contribute to local economic and social development and to meeting international goals for access to essential services" within its 11th commitment of its Sustainable Development Charter (Veolia Environnement, 2013). In order to support decentralized business operations for societal engineering aspects, the Sustainable Development Department created a methodology called "ACCES". The Department capitalized on competencies acquired in specific tenders, which included social clause targeting low-income people. Acces provides technical support in optimizing exiting infrastructures and standpipes; financial and economical support in defining socially acceptable pricing policies and individuals socially assisted connections; as well as services and administrative support for social management department, community management or mobile sales office aspects. This led to the implementation of numerous projects, mainly in the water sector. In Morocco, a service contract delegation with the cities of Rabat, Tangier and Tetouan permitted to supply water and sanitation systems to 80 000 families (Devoto, Duflo, Dupas, Pariente, & Pons, 2011). The model relied on a combination of new standpipes, progressive pricing policy, individual socially assisted connections and mobiles sales office. In Bangladesh, Grameen Veolia Water Ltd, a Social Business Joint Venture created in 2008, built a small-scale water treatment plant to serve five villages and distribute bottled water in the capital city (Yunus, Sibieude, & Lesueur, 2012).

At the time of writing this paper, Veolia initiated a recentralization of its different business segments and thus organization. Regarding access to essential services, the company was taking stock on the experiences in targeting low-income people to create a new division called “INNOVE” under the Market Innovation Division. This new entity would now be responsible to initiate pilot projects and incubate business models on its own, with the support of local business operations of every segment. Then, successful projects would be transferred to traditional business operations, supplementing their strategic differentiation and offering new economic value added to their customers.

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CHAPTER 2: Managing Base of the Pyramid as a Business Opportunity: A Longitudinal Field Study

Abstract:

In the last decade a growing articulation of the business strategy of the firms with some specific global societal challenge in line with its core activities has been observed. This change provides both a need and an opportunity for Base of the Pyramid (BoP) activities to migrate from their preserved status within the Corporate Social responsibility (CSR) department to business operations. We explore the successive steps associated with this change at Schneider Electric through a longitudinal case study. The newly adopted business strategy of the firm clearly facilitates the change in the mindsets all through the company. Still the need for adapting the management systems remains pending. A key finding that emerges from our analysis is to instill interactive processes through an organizational change and a strong commitment on the commercial purpose of the BoP activities. We also highlight that BoP activities cannot be directly transferred to operational entities without simultaneously identifying which of the functional department will be in charge of providing the corresponding management systems and support such longer-term investments.

Keywords: Corporate Social responsibility – Base of the Pyramid – Business Case – Strategy Implementation – Management Control Systems

This chapter is based on a paper co-written with Jean-Pierre Ponssard (Ecole Polytechnique & CNRS)

1 Introduction

The concept of "Base" or "Bottom of the Pyramid" (BoP) was coined by C.K. Prahalad and S. Hart in 1998 (Prahalad & Hart, 1999). Many companies launched initiatives towards poor population markets pursuing simultaneously profits and social outcomes. Procter & Gamble and Unilever are among the most cited companies for having followed that route. However, in the recent years, it appeared that the early expectations in terms of profit had not been realized: successes were quite limited and some companies that had enthusiastically engaged in BoP made a U-turn. A famous example is HP which finally retired from its e-Inclusion program (McFalls, 2007; Schwittay, 2011). External and internal barriers have been advocated for this failure (Olsen & Boxenbaum, 2009; Vachani & Smith, 2007). This paper pursues in this line of thought more specifically on the internal barriers.

As a matter of fact the BoP activities in companies are often driven by a large variety of purposes combining business ethics, license-to-operate and business opportunity purposes, which characterizes the so-called Corporate Social Responsibility (CSR) of the company. Various aspects of the BoP activities can be used to complement each other in that multi-purpose perspective. For instance many companies have launched foundations to attract Social Responsible Investors or developed social business joint ventures. This is a way to enlarge the access to capital for BoP projects while keeping the reputational benefits of their in-house BoP activities (Danone, Lafarge, Schneider Electric among others). These in-house BoP activities can be managed either within the existing local business operations as in the case of Unilever (Hart, 2007, p. 142) or directly through dedicated business lines as in the case of Essilor and Grundfos (André, 2014).

In parallel with the deployment of BoP activities in companies one has observed in the last decade a growing articulation of the core values of the companies with the global societal challenges (climate change, urbanization, food and poverty…). This articulation is mostly motivated with a reinforcement of the business opportunity approach of CSR. The win-win concept of creating societal and economic value was coined by a series of articles, such as Porter and Kramer (2006, 2011). A company such as DuPont has theorized the evolution of its core values through successive stages involving first compliance to sustainable growth with limited use of nonrenewable resources to now embrace issues related to food security for the planet[1]. Danone has completed its value concept from "bringing health through food" to "bringing health through food to as many people as possible" (Faivre-Tavignot, Lehman-Ortega, & Moingeon,

[1] http://www.dupont.com/corporate-functions/our-approach/sustainability.html

2010). Through a cross case study over seven companies, André (2014) showed that the more BoP strategies are integrated into the firms' CSR engagements (i.e. are seen as aligned with the business ethics, license-to-operate and business opportunity approaches to CSR), the more the BoP strategies maintain. This paper pursues this idea one stage further: we investigate how BoP activities can scale-up as the firm decides to embed a particular societal challenge as an explicit business opportunity, as long as the BoP activities in the firm can be related to this specific challenge.

Two field papers are directly related to our research. Olsen and Boxenbaum (2009) identified internal barriers to implementation of BoP at Novozymes. This implementation strategy decided in 2006 followed a decentralized approach – BoP activities were directly put into the business operations of the company – and was rapidly abandoned. The authors analyze the reason for this failure. The identified barriers concerned: conflicting mindsets for Business Units managers (i.e. BoP was perceived more as a business ethics or license-to-operate than a business opportunity), and the difficulty to implement relevant management systems (i.e. change in routines, evaluation criteria and incentive schemes). Perrot (2011) analyzed the conflicting mindsets for corporate managers at Lafarge for engaging into BoP activities when it could only be considered at the time as a license to operate CSR approach with very low potential for creating financial value. The author investigates how a preliminary incubation stage can be instrumental to disentangle the corporate conflicting mindset. This preliminary stage allows for building experience and providing evidence of profitability. As a matter of fact Novozymes decided to engage into that preliminary stage through a preserved centrally managed BoP activity within the CSR department. Olsen and Boxenbaum (2009) argue that this has been possible because of the fact that there were no conflicting mindsets at the corporate level so that resources could be discretionary affected to the centralized BoP activities. What happened in Lafarge after the success of the preliminary stage is not discussed in Perrot (2011). Our case study can be seen as a continuation of these field researches. Schneider Electric had promoted BoP activities under the central management of its CSR department. In parallel Schneider Electric changed its approach to CSR to be more focused on business opportunity, so that BoP activities need to be more aligned with this perspective and the relative success of the preliminary stage opens the way to their decentralization within the company operations.

The conceptual interest to discuss the relationship between the core values of the firm and the implementation of a CSR activity had already been pointed out in the case of CO2 emissions (Arjaliès, Goubet, & Ponssard, 2011). Firms have quite different approaches to face this societal challenge ranging from compliance to control their industrial emissions to changing their portfolio of activities as well as elaborating new products and solutions for their customers. The role of structural factors related to the sector of activity in which the company operated was identified through a detailed comparison of two sectors: cement and chemicals. The analysis remained largely static and the question of how to manage a transition was left to an academic exercise along the two stage model formulated in Arjaliès and Ponssard (2010). This model built on Simons (1995) comprehensive framework to analyze both the role of mindsets and management systems in implementing change. It will provide a starting point to explicit how the implementation of BoP activities may depend on the nature of the core concept of the company. This starting point will be used to investigate the actual transition of the BoP activities from an initial preserved "start-up" position at the corporate level to become an integral part of the business as usual activities in operational divisions.

The paper is organized as follows. Section 2 introduces the conceptual framework in regards of the literature on strategy, CSR and BoP. Section 3 details the research context and the methodology. In section 4 the case study is explored at length. We successively discuss the overall change in Schneider Electric CSR strategy, how BoP activities remained aligned with this change over time facing this change as a necessity and an organizational challenge. Then we analyze how these questions were addressed in two other CSR activities that followed a similar change. Building on this learning we pursue further on our exploration of the transition for the BoP activities: discussing the difficulties encountered and suggesting a possible route to alleviate these difficulties. Section 5 discusses our findings based on our conceptual framework, and section 6 concludes and develops directions for further research.

2 Relationship between CSR and strategy, implications for the management of BoP

2.1 The relationship between strategy, CSR and BoP

The literature on CSR delineated three trends to justify the company's strategic choices in terms of sustainable development issues (Arjaliès et al., 2011; Capron & Petit, 2011).

- The "business ethics" trend highlights the firm's moral obligation towards the society rather than for economic reasons (Goodpaster, 1983). Such a responsible concern is based on the personal ethics of a business leader who will pursue unexpected philanthropic initiatives after ensuring its economic and legal responsibilities (Carroll, 1979).
- The "business and society" trend (Wood, 1991) positions the company as a social institution created by the society, towards which it must answer. It was characterized by Freeman's (1984) stakeholders theory which provided a more operational guideline for

managers to integrate stakeholders' interests within their business activities and meet their "license-to-operate". Meeting stakeholders' expectations permits to manage institutional risks and to preserve the firm's legitimacy.

- Lastly, the "business case" trend (Vogel, 2006) apprehends societal stakes as source of strategic innovation and competitive advantage that will nourish the company's economic performance.

Although those three trends do not contradict but rather complement, we might highlight that the strategy of firms has evolved from creating value for its shareholders to creating shared value for all stakeholders.

The "business case" trend has regained interest from the academic and practitioner literature. Authors have emphasized on the strategic intent of CSR, as a mean for companies to reconcile the interplay between adopting responsible behavior towards the society while improving its inner economic sustainability and competitive advantage (Capron & Petit, 2011; Kurucz, Colbert, & Wheeler, 2008, pp. 100-101; Porter & Kramer, 2006). More recently, Porter & Kramer (2011) coined the term "shared value" to describe the "policies and operating practices that enhance the competitiveness of a company while simultaneously advancing the economic and social conditions in the communities in which it operates" (Porter & Kramer, 2011, p. 6). The authors identify three ways for companies to create shared value: by enabling the development of new local business networks; by redefining their productivity drivers along the value chain; and by re-conceiving their products and markets. On the later, Porter and Kramer clearly specify the example of base of the pyramid strategies. They explain that "The societal benefits of providing appropriate products to lower-income and disadvantaged consumers can be profound, while the profits for companies can be substantial" (Porter & Kramer, 2011, p. 8).

The "bottom" or "base of the pyramid" (BoP) concept was first introduced by Prahalad and Hart (2002) as an opportunity for multinational enterprises to find growth or strategic opportunities by targeting low-income populations, while contributing to alleviate their poverty. A first set of the BoP literature describes such strategies as a mean to capture untapped markets by leveraging existing capabilities of the firm and by slightly modifying products and business models to target undeserved geographies (Prahalad & Fruehauf, 2004; Prahalad & Hammond, 2002). However, this type of approach has been criticized for its ability to actually target the poorest and include them in the models, or questioned for the actual market potential (Crabtree, 2007; Karnani, 2006, 2007; Warnholz, 2007). This led to a second set of the literature, referring to "BoP 2.0" strategies, which urges MNCs to rather create the market by integrating the poor populations in the design of radically innovative ventures (Arora & Romijn, 2012; London, 2007;

Simanis & Hart, 2008). While this second set of literature mobilizes arguments from the development world, some authors highlight the need to align such initiatives with the core strategy of the company. BoP initiative would thus serve the mainstream strategy rather than being solely a separate business or CSR entity (Simanis, 2012; Simanis & Milstein, 2012). However, other authors reassert the specificity of including sustainability as a cornerstone of BoP strategies, first in contrast to international strategies in emerging markets (Landrum, 2014), and second should they have any chance of success (Davidson, 2009).

It is however difficult to assess the reality of such a CSR strategic change without getting within the company and observe its actual formulation and implementation.

2.2 The managerial framework for BoP

In order to adapt to its environment, multinational enterprises must keep innovating and evolving. Once a strategy has been chosen, the management should control for its actual implementation. Firms should therefore encourage organizational learning (Argyris & Schön, 1978). It has been defined by Wang and Ahmed (2003) as "the process by which the organization constantly questions existing product, process and system, identifies strategic position, applies various modes of learning, to achieve sustained competitive advantage". To do so, Argyris and Schön (1978) suggest organizations to implement feedback and adjustment processes that articulate between a "value system", which integrated theories and representation about the world, a concrete "action" level and, finally, a "perceived outcomes" level. MNCs are urged to combine their exploitation and exploration capabilities (March, 1991). That is to say, to develop an organizational ambidexterity to manage their core competencies and existing resources while at the same time to search for innovative ideas and to discover new opportunities (Gupta, Smith, & Shalley, 2006; O'Reilly & Tushman, 2004, 2013).

A standard academic reference to analyze the strategy formulation and implementation in a company is to use Simons' framework (1995). This framework relies on three levels of interrelated performance systems that are relevant to our case study.

- *Beliefs systems* set the core values of the company to create a sense of commitment and belonging on part of the employees. These take the form of mission or vision statements or credos and statements of purpose.
- *Boundary syst*ems set the framing for strategic elaboration and analysis. They orientate managers' actions by showing what is permitted. These take the form of codes of conduct, operational guidelines or ex-ante strategic planning methods.

- *Management control systems* refer to the planning and control of the strategy through formal information system such as procedures, templates, key indicators in place in the review process of the company.

The first two systems may be seen as a formalization of "the mindsets" respectively at the corporate and operational levels that lead to the formulation of a strategy and the related behaviors that can or cannot be done. The third system refers to the actual conduct of the operations in the business through the framework designed by the functional support departments. The management control systems involve both vertical and horizontal relationships. First, *diagnostic control systems* monitor the alignment or deviation of managers' action with the firms' strategic goals through a control by exceptions in relation to the boundary systems. These take the form of explicit targets, business plans and budgets, key performance indicators (KPIs), or incentive and compensation systems. Second, interactive control systems stimulate managers for searching and learning a new positioning of the firm, allowing new strategies to emerge in relation to the beliefs systems. These take the form of high degree of interaction along the hierarchical line through face-to-face dialogue and debate on a selected set of goals, or assumptions and action plans of subordinates. In Simons' words, boundary systems and diagnostic control systems "create constraints and ensure compliance with orders", while beliefs systems and interactive control systems "create positive and inspirational forces" (Simons, 1995, p. 7). Referring to organizational learning and Argyris and Schön (1978), Simons further differentiate a mechanism of "single-loop learning" through diagnostic control systems that "keeps a process within desired bounds", and a mechanism of "double-loop learning" through interactive control systems that "leads to question about the very basis upon which strategies have been constructed" (Simons, 1995, p. 106).

We now come back to the presumed change in firms' CSR strategy as concerned by the integration of societal goals and discuss the potential role of BoP depending of the firm's strategy. Table 2.1 summarizes in a two stage model the interactions we expect from the firm corporate responsible position and its management of BoP activities. This model draws from the two stage model developed in Arjaliès and Ponssard (2010) and its application to the specific societal issue of green house gases emissions. Aligned with Perrot (2013), we adapt it to illustrate a firm's responsible engagement with BoP strategies.

For the sake of our analysis the first two motivations described earlier (i.e. business ethics and business and society) are taken as a whole, to put the emphasis on the distinction between the indirect or direct alignment of CSR with the pursuit of profit. One observation needs to be made about this characterization. The actual CSR position of a company is likely to draw from all three types of motivation. Still we think it makes sense to use our typology to characterize the aspect of CSR to which the BoP activities are the most likely to be connected as depicted in Table 2.1.

Table 2.1: Conceptual framework of BoP activities following a the two stage model for CSR in firm's strategy

	Stage 1	**Stage 2**
Typology for CSR in firm's strategy	**CSR as awareness/risk**	**CSR as a business opportunity**
Belief systems	Two possible approaches of CSR: - Business ethics - License to operate	Shared value creation building on the core activities of the firm in line with a specific societal goal
	BoP as a philanthropic or public-relation issue	**BoP is considered as a possible business**
Boundary systems	CSR activities induce constraints on business in terms of tradeoffs with short term profitability	CSR activities induce a reassessment of the perimeter of activities of the company (R&D, marketing, financing, supply chain, sales…)
	BoP is not part of business as usual (no support)	**BoP is managed within the business and becomes a value proposition**
Management control systems	Mostly diagnostic through KPIs leading to adaptive processes (i.e. single-loop learning) External reporting is based on information collected in business	Embeds interactive components leading to cognitive change (i.e. double-loop learning) Control involves all departments (corporate, Finance and Control, R&D, business, possibly external stakeholders…)
	The management of BoP projects is mostly in the hands of a corporate department (i.e. the CSR department)	**The management of BoP business is within the general review processes of the company**

To structure our analysis of the transition from stage 1 to stage 2 the following questions will be discussed:

- How does the company strategy embed a specific societal goal
- How the BoP activities remain aligned with the change in the company strategy
- How the interactions between BoP activities and the operational businesses are designed (organizational design, review process, KPIs, incentives)
- How are the feedback and adjustments leading to organizational learning.

3 Research context and methodology

The case is a longitudinal field study of Schneider Electric, a French multinational enterprise leader in energy management. The company evolved to position as a solution provider for utilities and infrastructures, industries and machine manufacturers, non-residential buildings, data centers and networks and the Residential sector. The company employs more than 150 000 people worldwide, reaching a turnover of 24 billion Euros in 2013, for which developing economies represented 43%. The study covers a period of four years (2012-2015). During that period the authors were engaged in an "action research" which aims "to contribute *both* to the practical concerns of people in an immediate problematic situation and to the goals of science by joint collaboration within a mutually acceptable framework" (Rapoport, 1970, p. 499). The Sustainable Development department expected first that this action research would contribute to the creation of an enlarged cost benefit analysis of the BoP activities – the Access to Energy program – as a mean to valorize towards the management the financial and non-financial benefits. To this end, access to the current BoP activities was provided, and propositions were regularly discussed in a steering committee.

As part of the action research, and due to the continuous progress of the BoP program, it was decided that the research collaboration would then focus on the research question of this paper. In order to provide insight on how the BoP program could scale-up and be managed as an explicit business opportunity, it was decided that other similar CSR programs within or outside the Sustainable Development department would be studied. Go Green in the City and Solar Decathlon student competitions were finally selected among eight potential programs due to their similarities with the BoP program. First, the two other selected programs were initially launched to target a societal stake and based on a strategic philanthropy approach. Second, both initiatives faced a rapid growth and turned out to be major CSR initiatives supported by the top management. Third, the programs were mostly targeting indirect business returns for the company. Finally, past and present managers could be interviewed for their analysis. The organizational chart of the company related to the three CSR programs studied in the paper is given in Figure 2.1 as for 2012-2015.

The research collaboration permitted the two authors to share their time with the BoP team and thus develop an "insider" position (Brannick & Coghlan, 2007). In that sense, the authors benefited from an "active member" status and assumed "a functional role in addition to the observational role" (Adler & Adler, 1987). Their position facilitated to build "trust and acceptance of the researcher" (Adler & Adler, 1987) and gave them the ability to get into the organizational system, to take part in the meetings, and to influence decisions related to the research partnership.

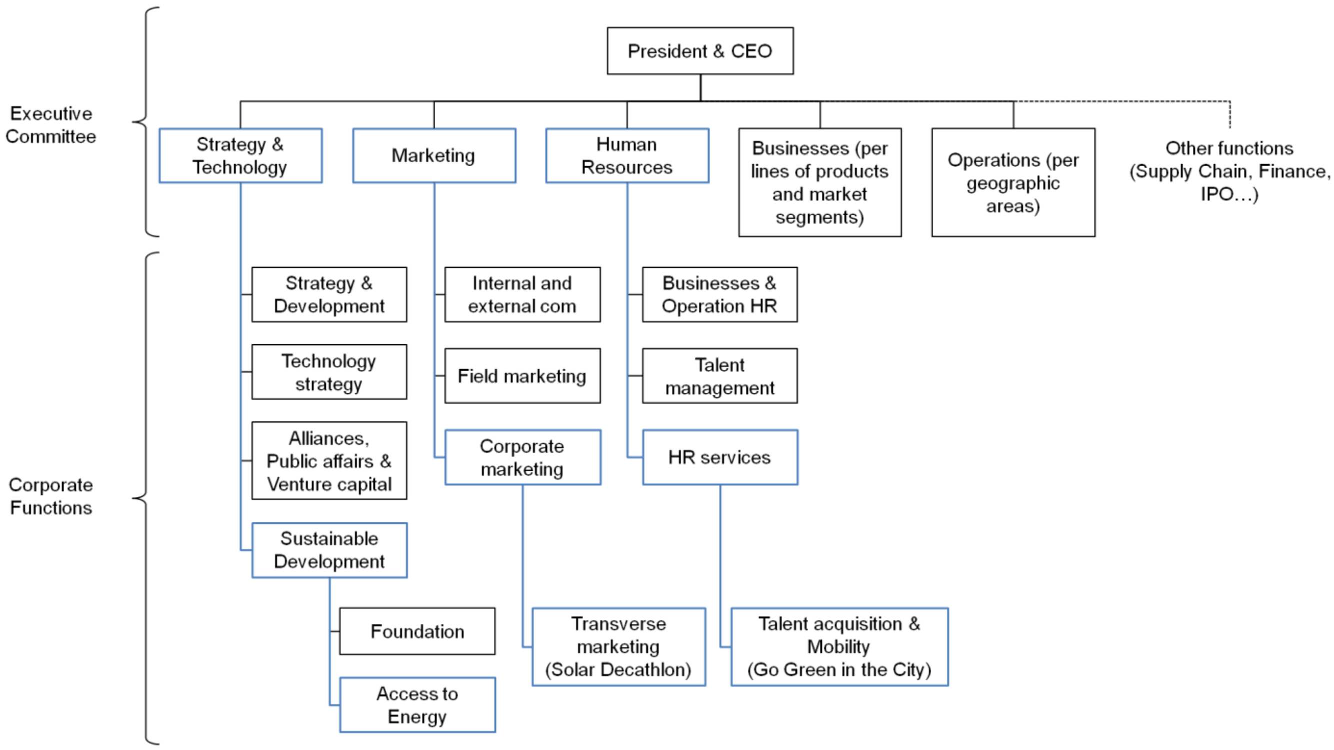

Figure 2.1: Schneider Electric's organization chart (2012-2015)

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The field study data was primarily collected through numerous meetings over the entire research period. The researchers were able to collect data from a variety of organizational participants, including employees across all the functional areas of marketing, human resources, research and development (R&D), logistics and finance and control, as well as business and operational departments. The method of data collection was primarily informal which allowed the views of the respondents to emerge. Detailed notes were written up after each meeting. More formal interviews based upon semi-structured questionnaires were conducted during the second half of the research period to focus on the research question and the cases selected for this paper. A detailed transcription of the recorded interviews permitted a consistent use of the data.

Data collection was triangulated throughout the research period thanks to the access from the researcher to internal company documents accessible on the intranet, or working documents shared by the employees. Secondary sources as institutional documents, communication-oriented documents and press releases from the company, as well as previous cases from articles in academic journals completed the triangulation.

Therefore the field study is exploratory (Yin, 1994). Firstly, it illustrates an example of the formulation of a company's strategy that embeds CSR concerns as a business opportunity. Secondly and importantly, it focuses on the different modes of organizational and management systems implementation.

4 Longitudinal field Study of Schneider Electric

4.1 How Schneider Electric changed its CSR approach to embed the global energy challenge as a business opportunity

Schneider Electric historical concern about CSR had been primarily motivated by business ethics. This had been materialized in 1998 with the creation of the company's Foundation. The mission of the Foundation essentially consists in promoting youth integration through vocational training and employee's sponsorship as well as providing emergency assistance to victims of natural disasters.

The corporate responsible strategy evolved in 2002 with the creation of a dedicated Sustainable Development department (SD) affiliated to the Strategy executive division. The company's wanted to communicate its awareness of the increasing scarcity and costs of natural resources (Schneider Electric, 2006). As an illustration, the company started to certify its production sites following the ISO 14001 norm or to eco-design its products. In order to track for the progressive integration of societal concerns, the SD department introduced in 2005 a specific reporting tool called the Planet & Society Barometer. The SD department was in charge of the tool and communicated the associated indicators externally on a quarterly basis.

In 2009 a significant shift occurred. The "global energy challenge" had become a major societal trend directly formulated in meaningful terms for Schneider Electric: "we need to drastically reduce CO2 emissions to limit global warming. Meanwhile, electricity demand will double by 2030" (Schneider Electric, 2009, p. 4). Schneider Electric top management decided to view this challenge as “a real area of growth and resilience” for the company (Schneider Electric, 2009, p. 4). The win-win concept of creating societal and economic value was coined in 2012 by the title “Creating Shared Value” of the strategy and sustainability report. The company explicitly referred to the term that Porter & Kramer (2011) had used to describe the “policies and operating practices that enhance the competitiveness of a company while simultaneously advancing the economic and social conditions in the communities in which it operates.” Green business became a clear value proposition thus aligning CSR concerns with the boundaries of the core business of the company. Figure 2.2 illustrates the strategic embeddedness of the global energy challenge at Schneider Electric.

In 2013 the company engaged into a systematic revision of its belief systems. It conducted a “materiality analysis”, to identify the societal topics that would be the most aligned with its core competencies[2]. The analysis involved its external stakeholders (customers, media, distributors, international organizations, experts, etc.), as well as managers and executives from different departments of the Group (Environment, Supply Chain, Finance, Human Resources, Business, etc.). The identified topics included the energy transition, energy efficiency in industry and buildings, sustainable cities, smart grids, sustainable innovation, access to energy, eco-design, sustainable purchases, employee engagement and talent attraction, resource scarcity, and digital economy. Access to energy remained central to the materiality analysis of the company.

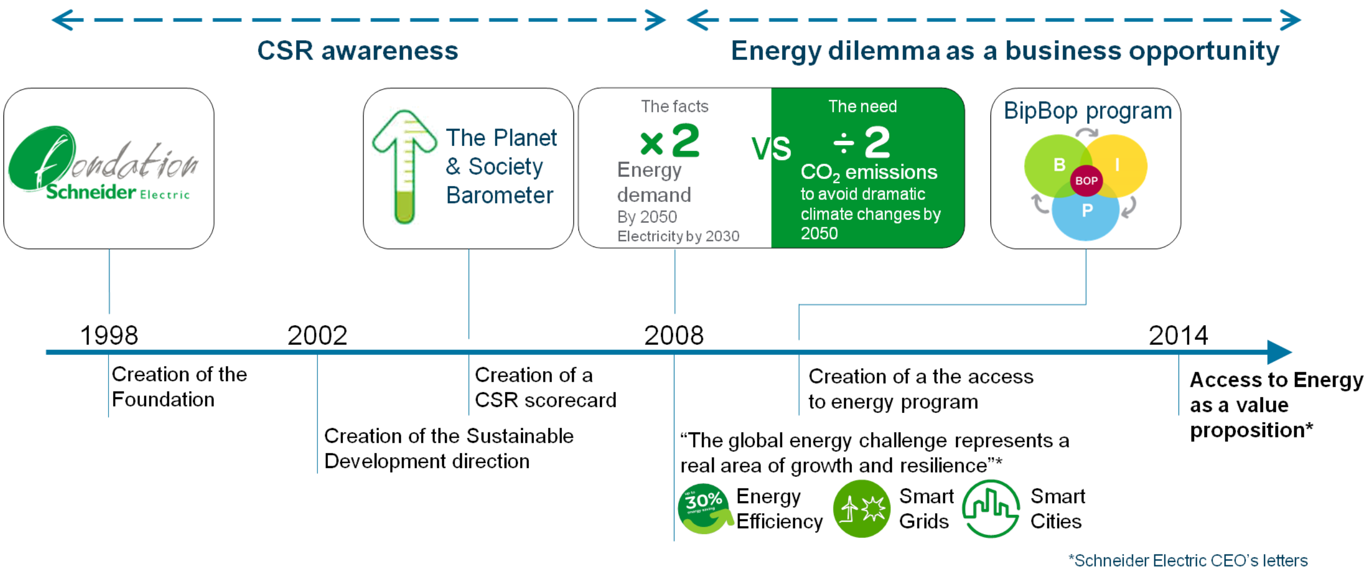

Figure 2.2: Strategic embeddedness of the "global energy challenge" at Schneider Electric

[2] http://www2.schneider-electric.com/sites/corporate/en/group/sustainable-development-and-foundation/sustainable-governance/materiality-matrix.page

4.2 How BoP activities remained aligned with this change

Schneider Electric's BoP program had been initiated in 2009 to promote access to energy for low-income populations in Africa, India, and South-East Asia (Vermot Desroches & André, 2012) aligned with a "shared value" perspective. At that time, 1.5 billion people around the world lacked access to electricity, mostly in rural areas (International Energy Agency, 2009, p. 128). Access to modern energy was already internationally recognized to be a basic need and mean for development of worldwide populations (DfID, 2002). To cite just a few positive societal impacts, energy enables enterprise development, modern lighting allows evening classes and home study, energy services free girls' and women's time from survival activities, indoor air pollution is reduced leading to less respiratory infections, cold generation improves medical facilities, irrigation through electric water pumps reduces pressure on the ecosystem, and cleaner fuels reduce greenhouse gas emissions. Alongside such a demand for energy, market studies revealed the potential for the private sector to profitably target an estimated annual spending of 433 billion dollars at the base of the pyramid (Hammond, Karmer, Katz, Tran, & Walker, 2007).

Managed by the Sustainable Development department, the first objectives of the access to energy program were mostly philanthropic, aligned with the objectives of the Foundation. A target in the number of low income households that had obtained access to energy thanks to Schneider Electric program was added to the Planet & Society Barometer. Following a series of pilot projects, the access to energy program took a stronger commercial path. Turnover and costs associated with the program were also reported. The program reached the break-even in 2013 thanks to an increased number of low-income consumers willing to pay for adapted modern energy products through specific business models. However, no objective of profitability was put forward. In 2014 the top management decided that it was time for BoP to be a business opportunity and be managed as such. Responsibility for the program extended from the Sustainable Development department to the businesses and field operations, trying to adopt a thorough business opportunity strategy.

At this point we simply want to check that the BoP activities remained aligned with the change in the CSR positioning of the company. To do so we have identified the large increase of terms related to BoP activities in letters from Chairman or President and CEO of Schneider Electric as the company CSR position changed over time.

Table 2.2 firstly translates this change as a change of terms describing the general vision of the company: new terms emerge and these new terms are repeated to convey the message related to the integration of the global energy challenge in the company vision. Secondly the implementation of this change is captured by the associated change in operational terms. The capability of Schneider Electric to embed the global energy challenge as a business opportunity is greatly facilitated by its Business-to-Business (B2B) positioning at the second stage of the value added chain so that it can easily focus on designing products and solutions to help its customers to address the corresponding societal challenges (i.e. the reference to green business). For instance if one consider that untapped energy efficiency remain significantly large in buildings and data centers (two major lines of business that represents 34% and 14% respectively of its turnover in 2013), this translates directly into market business opportunities for Schneider Electric.

Table 2.2: Occurrences of some CSR-related terms in letters from Chairman or President and CEO of Schneider Electric

Topics	**CSR as awareness / risk (2004-2008)**	**CSR as a Business Opportunity (2009-2014)**
General vision	Responsible behavior (2) GHG emissions (1) Safeguarding the environment (1)	Sustainable strategy (16) and Shared value (4) Global warming (7) and Global energy challenge (3)
Terms related to the global energy challenge	Compliance with environmental regulations (2) Cleaner operations (3) Energy savings/efficiency (8)	Green Business as a value proposition (12) or a market opportunity (5)
Terms related to BoP activities	Community support (1) Access to energy for deprived communities (2)	Community support (1) Access to energy for deprived communities (9) and as a value proposition (2)*

*first reference in 2014

(source: Chairman or President and CEO's letters and interviews in the Strategy and Sustainability reports)

As far as the BoP activities are concerned, they are naturally associated to two items: “community support” and “access to energy for deprived communities”. Note the significant increase to the second term, and the appearance in 2014 of an associated value proposition.

4.3 How the strategy change had been integrated by two other CSR activities

As part of the action research it was decided that other CSR programs that could have integrated the strategic change in Schneider Electric would be analyzed. The following two case studies present examples of student competitions in the fields of energy-efficient solar-powered houses (Solar Decathlon) and diversity recruitment (Go Green in the City). As such both initiatives lie in a shared value perspective for the company. Indeed, they aim to contribute to societal stakes (i.e.

respectively climate change and gender equality) while benefiting the company's business activities as described in the following sections. Their analysis is intended to provide insights for the revised BoP program, and more precisely for the design of its management control systems. Two first observations emerge from both analyses: On the one hand, the repositioning of initiatives limited in scope within the new vision of CSR as a business opportunity, and on the other hand, the integration of these initiatives at the corporate organizational level and their integration into the general review process of the company for initiatives similar in nature.

4.3.1 Solar Decathlon

Solar Decathlon refers to a series of worldwide competitions organized by national public agencies with the sponsorship of the private sector. It was initiated in the USA in 2002 by the U.S. Department of Energy, and had occurred biennially since 2005. Since 2010 a European competition has taken place also biennially. In 2013 a first Asian competition took place in China. In 2015 it will be the turn of Latin America and the Caribbean to join.

Teams of students coming from leading international universities compete over a two year period to design, build and operate energy-efficient solar-powered houses. The selected projects are displayed in a solar village open to the public for two weeks. Houses are assembled and feature energy efficiency and renewable energy exhibits with strategies to reduce consumption of fossil fuels and lower utility bills. Every project teams is rated over ten criteria focusing on architecture, energy, comfort, socio-economic, and strategy aspects.

The sponsorship from Schneider Electric takes two forms. On the one hand, local business operations may sponsor a national team of students throughout the whole competition. On the other hand, the solar village provides an opportunity for the company to showcase in real conditions demonstration units of some of the firm's latest energy management solutions.

Since its inception the Solar Decathlon has reached more than 500 universities through the participation of more than 17 000 students and gathered more than a million visitors.

4.3.1.1 Solar Decathlon as a reputation building device in the US Business Unit

Schneider Electric first participated as a sponsor in 2009 in the USA. The Solar Decathlon sponsorship was coordinated by a local manager working in the "Partner Business Unit" (formerly Power BU), one of the vertical business units of the company. While Solar Decathlon is clearly an opportunity to hire talented engineers, the involvement of the local business also appears as an indirect motivation for bringing together and aligning several entities. After the recent acquisitions of the American companies APC and Square D, Schneider Electric wanted to consolidate its organization in North America and promote its new worldwide strategic positioning as a solution provider. The former manager of the Solar Decathlon sponsorship states: "Honestly in 2009 and 2011, that was an important opportunity to grow our business when we were trying to migrate from a product manufacturer to a solution provider. This event was very instrumental in showcasing our solutions and capabilities to our customers."

What was considered as a simple sponsorship into a student competition in 2009 turned into a stronger and much broader involvement for the company. Thanks to post project reviews the following editions improved both the actions undertaken by the different entities of the company, and the ways to track the results. A former marketing manager responsible for the coordination of the first sponsorship in the USA explains: "We organized feedbacks after each competition also in order to make adjustments for the next events. We have learned a lot in the first edition and we were much prepared for the second edition in 2011, especially regarding the hardware and equipments used for the smart grid that we reused." Such single-loop learning is illustrated in Figure 2.3 for years 2009 and 2011. In that sense, the technical partnership was much well prepared in the 2011 and 2013 editions in the USA in terms of both technical assistance to the competition site organizing team and consultation for the competing students teams.

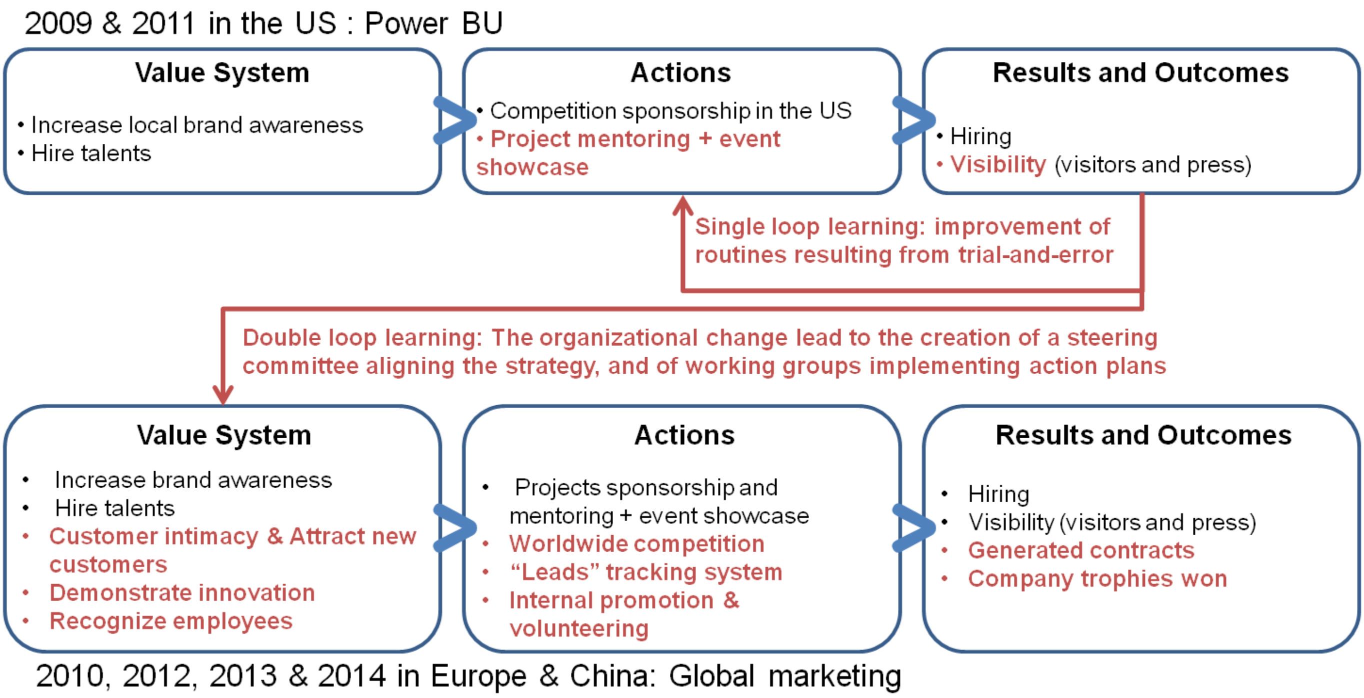

Figure 2.3: Organizational learning for Solar Decathlon competition

4.3.1.2 Solar Decathlon as a business opportunity

In 2014, Solar Decathlon took place in France. At that time Schneider Electric had totally revisited its involvement. The sponsorship of Solar Decathlon is now perceived not only as an opportunity to increase the brand awareness of the company in the country where the competition takes place and to recognize and increase employees' involvement at the company level, but more importantly as a way to generate indirect business and sales. This strategic shift occurred following a reorganization of the company in 2011, when the corporate transversal division "Global Marketing" was created. This reorganization aimed at centralizing all the marketing teams in every business units under one Executive division. As a consequence, a new director for the Solar Decathlon sponsorship, responsible for "transverse marketing" activities, was appointed under the "strategic marketing" department of Global Marketing. The sponsorship to the general competition event would be borne by the corporate entity, while the students' teams would be directly supported by the national branches of the company that are willing to participate.

Taking advantage of the learning from the first editions, the new Solar Decathlon sponsorship director implemented a thorough project management approach based on interactivity between the internal stakeholders. The Solar Decathlon competitions were now managed around a steering committee and working groups. This led the company to revalorize the business benefits of the sponsorships through a double-loop learning as illustrated in Figure 2.3 for years 2010, and 2012 to 2014. The steering committee gathers directors of the different departments involved: the corporate functions "Global Marketing", "Global Human Resources", "Sustainable Development", and the country manager of the company's subsidiary where the competition takes place. The steering committee is a way to involve the executive levels of every entities benefiting from the business value generated by the sponsorship. It allows for an alignment of the global strategy of the Solar Decathlon sponsorship based on the objectives of each department, and to agree on the financial resources granted by each of them. In that sense, the present program director explains: "Securing the budget is not an issue. The main issue is rather upstream. It lies in the capacity of the company to find a political agreement to undertake this kind of sponsorship."

Once the business values have been shared and an agreement hasbeen found at the political level, the working groups are coordinating the involvement of every corporate department and business units. This horizontal – or transversal – coordination is divided into four groups in order to ensure consistency between interrelated action plans: marketing and communication, technical task force, human resources and sustainable development. These groups focus on implementing the related actions. A diagnostic control system is put in place to track the results through new measures and KPIs related to the domain of competencies of each department involved. For instance, communication events at the solar village are diversified in order to attract as much customers, partners, and institutions as possible, through dedicated visits of the competing houses and the company's stand, with technical and CSR-related conferences, or ad-hoc side competitions and shows. In order to leverage their presence on the event site, a "leads" system permits to track the potential business that could be generated. A "lead" consists in identifying every contact during the event and in qualifying the related business engagements. A database helps to track those potential customers and valorize ex-post the amount of sales related to the Solar Decathlon. The Human Resources recruit volunteers within the general employees, who become ambassadors of the company during the event, contributing to their feeling of pride as being part of such an engagement. A strong internal communication plan regularly reviews the company support to the projects sponsored by the company. Similarly, the visibility of the sponsorship is monitored by the "press relation" team which organizes several press conferences and tracks for outcomes in terms of press coverage. The Human resources department tracks the outcomes in terms of employees' engagement through the traffic statistics on the internal social media platform, the number of volunteering missions and through satisfaction surveys.

4.3.2 Go Green in the City

Go Green in the City (GGitC) is an annual international student case competition launched in 2011 and directly run by Schneider Electric. In order to build the annual competition, the program is subcontracted into target universities through in situ events and advertisement, website construction and social media promotion. After the selection of the eligible cases, the top 100 teams receive training with a company mentor – part of the pool of high potential employees – and create a synopsis and a video to present their case. The 12 to 25 finalist teams, depending on the edition year, are invited at the headquarters in France where they will attend to workshops and presentations about the company businesses as well as present their cases in front of judges selected among the higher levels of management. Finally, the winning team has the opportunity to visit two Schneider Electric's sites they will choose around the world and are offered an employment at the company.

To take part in this competition, the students, working in pairs comprising at least one woman, have to devise innovative, viable and marketable energy management solutions for a more sustainable city, through a case study. Their proposals must combine increased energy demand, protection of resources and social progress, while remaining economically and socially viable.

Since its inception the Go Green in the City competitions have received a total of over 14 000 participants in the last four years and expanded its scope from 8 countries in 2011 to 159 countries in 2014.

4.3.2.1 Go Green in the City as diversity recruiting device for the HR department

The competition was initially launched by the "Talent Development" department. The main objectives of the program were twofold: attract women talents and increase the employer brand among students. In that sense, the present director of the program explains that "One of the initial goals was to increase attractiveness among female candidates in strategic markets for the Group with targets of hires." Linked to the corporate strategy, those geographies represented areas of strong growth for the Group in eight countries. Another secondary objective, highlighted by a former program manager responsible for the "Talent Development" activities, was to "continue to develop the competencies of high potentials employees through mentorship of the students' teams."

Corrections have been made during the first two years of the challenge to improve the initial results of the program. Those were primarily identified through a close follow-up of the implementation of the first editions of the GGitC challenges. Some errors were detected and related corrective actions were taken, however, the assumptions and the values of the program were not questioned. Such single-loop learning is illustrated in Figure 2.4 for years 2011-2012. For instance, the profile matching of the participants appeared not to fit with the competencies required to Schneider Electric branches in growing countries. Therefore, the participation rules have been fine-tuned through guidelines for applications focusing on second or third year engineers, and business students. Another example is about the lack of information on the satisfaction of the students with the competition and the mentorship, on the knowledge of the company, or on the attractiveness of the company as an employer of choice. The GGitC team, therefore, enriched the satisfaction surveys that were sent to participants in order to get their feedbacks early after the beginning of each competition and after the final.

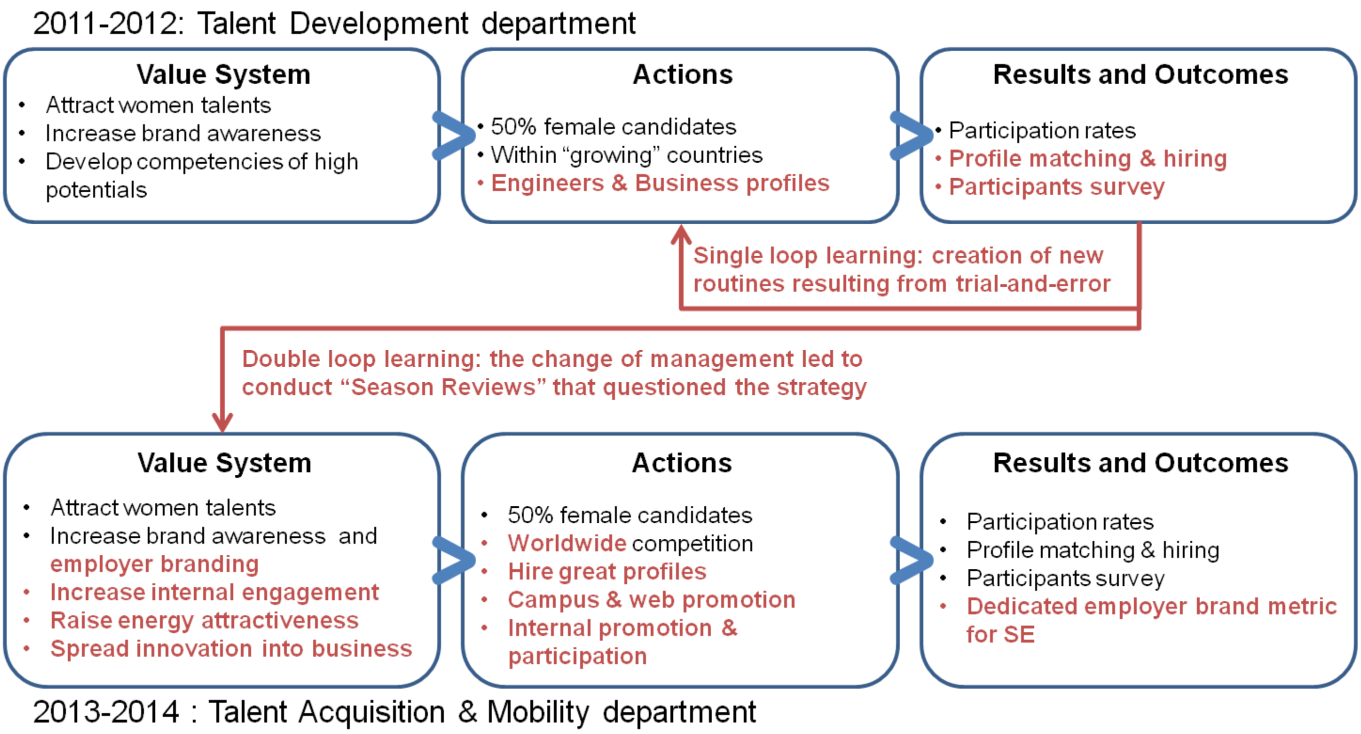

Figure 2.4: Organizational learning for Go Green in the City competition

4.3.2.2 Go Green in the City as a business opportunity

In 2013, the GGitC program took an international shift and opened the competition worldwide in 159 countries (Schneider Electric, 2013). While the diversity recruitment objective remained central, the management reconsidered the competitions as a strong promotional lever for the general brand not only towards students and universities but also towards the future community of business partners. The success of the first two competitions is now perceived as a way to increase the internal engagement among employees, and spread innovation from finalists' cases into Schneider Electric Businesses.

For the third edition in 2013, the management of the program changed from the "Talent Development" department to the "Talent Acquisition and Mobility" department. The executive division of Global HR considered that it would be more relevant to align the competitions' objectives with the topic identified in the materiality matrix under the terminology "employee engagement and talent attraction" in order to clearly fit into the new business opportunity vision. The present program director explains: "As an organization, our objectives and priorities change and with any program, we need to make sure that in the end there is value to the business. We are not doing things just because that sounds like a good idea but because there's actually value."

The organizational change implied a change of the program director who applied its own interactive methods of collaboration to control the action plans as well as question the overall strategy of the program. The whole team conducts "season reviews", which consist of preparing an analysis of a program from one of its manager, having an interactive discussion with the whole Talent Acquisition team, and discussing collegially. Season reviews typically enable a double-loop learning as illustrated in Figure 2.4 for years 2013-2014. In that sense, the present program director explains that "After three years we felt we needed to revamp the program. It was the opportunity to revisit questions like: Where did we start? Why did we even start this program? Where are we today and where are we looking to go with it?" External stakeholders to the management team are also involved. In the case of the GGitC review, feedbacks from mentors, judges, and students contribute to the discussion. The program director further highlights the search for a business rationale during such discussions: "my team is responsible to bring talents within the company that will support business objectives. When we reviewed the program, we really wanted to make sure that it is still true with Go Green. We analyzed it and try to pinpoint what was its Return on Investment." Four new objectives emerged: promote the general Schneider Electric brand among students, influence the perception of young talents regarding the energy stakes, increase the internal engagement among employees, and spread innovation from finalists' cases into Schneider Electric Businesses.

As a consequence of this new business-oriented strategy, specific action plans were implemented still mobilizing diagnostic control systems. The season reviews also helped to create the new employer brand metric, which is a specific internal metric built by a program manager formerly affiliated to the marketing department. This new scorecard is meant to aggregate and weight the results of actions related to website traffic, social media statistics, exposure of the challenge, or press coverage. Building the awareness of both Schneider Electric and global energy stakes among the participants was made possible through the diversification of the presentations during the final competitions. The presentations now focus on the major trends in the energy industry and on the company's positions in related businesses. The survey, before and after each competition, has been enriched to track students' appreciations and comments. On the internal engagement side, an employee-voting system has been implemented through the internal social network platform as a mean to embark the general employees in the competition. Finally, the GGitC team now makes sure that the different business units have the opportunity to consider the students proposals into their own value proposition.

4.3.3 *Learning from the two CSR activities*

The sponsorships to both students' competitions present similar conclusions. On the one hand, Go Green in the City faced a change of management, combining an organizational change within the Global Human Resources division and the implementation of a new process through "season reviews". Such interactive processes permitted a double-loop learning that led to the strategic redefinition of the program, in line with the recent vision of CSR as a business opportunity. The case of Go Green in the City highlights the capacity of its management team to integrate the indirect business benefits as an integral part of its value system while its initial purpose was focusing on hiring women talents in emerging and growing economies. New actions were taken to broaden the audience of the program towards worldwide universities and the general employees of the company. Specific indicators and metrics were designed to report for the new impacts in terms of reputation, by applying the methods and competencies of another corporate function traditionally used to track such extra-financial returns.

On the other hand, the Solar Decathlon program also faced the reorganization of the company with the creation of the transversal department "Global Marketing". Interactive discussions within a steering committee aligned several executive divisions' managers to adopt a business opportunity approach for this CSR sponsorship. Such a double-loop learning process contributed to the rapid growth of the company's worldwide sponsorship in the Solar Decathlon competitions. Cross functional agreement at the management level also permitted to embark different entities within the company and across the world to contribute to its implementation. New actions and more specifically new measurement methods contributed to the generation of, and control for, indirect business returns coming from a CSR-related sponsorship alongside the original intent to attract engineers' students.

Coming back to our conceptual framework depicted in Section 2, we might highlight a common four-step trajectory pattern in the transition of these CSR activities from an awareness perspective towards a business opportunity approach. Figure 2.5 illustrates the transition of Go Green in the City and Solar Decathlon competition from stage 1 (CSR as awareness) to stage 2 (CSR as a business opportunity):

- Both CSR sponsorships adopted first an awareness perspective. First editions of the competitions were primarily controlled through diagnostic systems composed of specific KPIs to track initial objectives and adopt corrective actions.
- An organizational change constituted the starting point to create the conditions for an interactive control system to emerge, while both sponsorships remained in an awareness

perspective for the company. Cross-functional discussions in both CSR programs permitted to question their inner strategies.

- The conclusion of the interactive discussions led to reconsider the value that could be generated from both programs and therefore to align them with the broader strategy of the company. Such a double-loop learning process finalized the transition towards a business opportunity approach and permitted to further embark different divisions of the company into the CSR programs, and therefore increased their embeddedness into the company.
- Finally, the different divisions embarked in the newly defined strategy of both programs led to the redefinition of their action plans. As a consequence, new diagnostic control systems within this business opportunity approach were put in place through specific new KPIs pertaining to the competencies of each division involved.

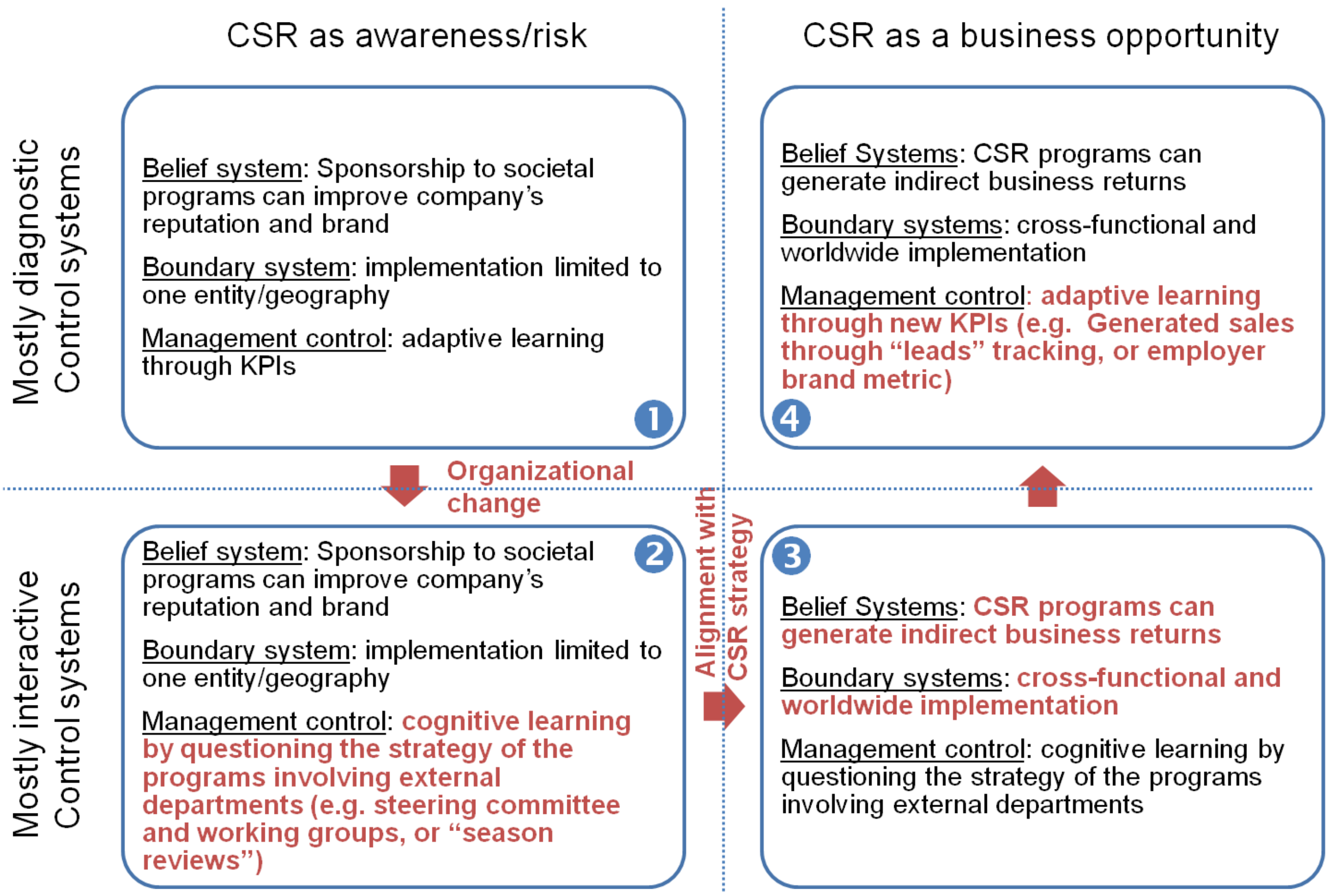

Figure 2.5: Transition of Go Green in the City and Solar Decathlon sponsorships towards a business opportunity approach

Based on this first analysis of a succeeded transition of two CSR-related activities from an awareness approach towards a business opportunity strategy, we might further study the BoP program that initiated recently this transition in the light of these four steps.

4.4 Managing BoP as a business opportunity

Schneider Electric's concern about the worldwide lack of access to energy was formalized in 2009 with the launch of the BipBop program managed within the Sustainable Development department. BipBop stands for "Business, Innovation, and People at the Base of the Pyramid". The aim of the program is to promote an affordable, reliable, and clean access to energy for low-income populations leaving in sub-Saharan Africa, India, and South-East Asia. The BipBop program was initiated on behalf of the CEO, Jean-Pascal Tricoire, to highlight the capacity of the company to innovate and to improve its commitment towards communities (Schneider-Electric, 2009). To tackle this global issue, the program combines business and philanthropic approaches (Vermot Desroches & André, 2012):

- The Business pillar is an impact investing fund that supports financially the development of SMEs in the field of access to energy and job integration;
- The Innovation pillar develops a specific portfolio of products and solutions that are deployed commercially to meet the means and needs of BoP populations;
- The People pillar sponsors vocational trainings, through the Foundation, that help to develop long-term regional competencies.

By early 2014, the BipBop program invested in seven SMEs; provided access to energy to 1.5 million households; and created almost 40 training in energy management reaching almost 23,000 people (WBCSD, 2013). For the purpose of our research question, the paper focuses on the Innovation pillar aimed at commercializing energy access products and solutions to the greatest number of people living mainly in rural areas. For simplicity we shall refer to the associated activities as the Access to Energy Program. This is in line with the alignment of these activities with the increasing role of this topic in the company vision, as illustrated in section 2.

Since its inception, the Access to Energy program adopted a shared value creation approach. In that sense, two different objectives (i.e. societal and economic) coexist when it comes to marketing specific access to energy offers in rural areas of developing countries. On the one hand, products and solutions are meant to improve the lives of the end-customers and contribute to their economic development. On the other hand their commercialization aims at being profitable for the company. The business perspective of the Innovation pillar has been constantly reinforced to be now placed at the forefront of its performance evaluation. In that sense, the business development director of the access to energy program explains: "When I took my position in mid-2010 I had to report to my hierarchy and to the CEO the number of LED lamps that we sold. Then the quarterly business reviews focused on the total turnover of the Access to Energy offer. Today we are also evaluated on the EBITA."

4.4.1 Step 1: the initial awareness approach of the Access to Energy program

In the early phase of the program, engineers from Research and Development (R&D) teams of the company's business entities are delegated to design two complementary offers. The first pilot projects consist in trying out the technologies. High energy-efficient LED-based Solar Lighting Systems, called In-Diya, as well as solar micro off-grid power plants, called Villasol, were donated and installed respectively in two villages of India and Madagascar. Building on their successes, the top management granted the Access to Energy program an internal "start-up" status in order to validate its commercial viability. The Innovation pillar was then formally created in mid-2010: the R&D was internalized to the program with the constitution of an "Offer Creation" team, while the marketing of products and solutions was under the responsibility of a dedicated "Business Development" team.

The newly established Business Development team acted as a protected entity within the company. The major milestones and challenges for establishing the Access to Energy program in six targeted countries was consistently and periodically examined by the Sustainable Development department, and then up to the CEO. The team was encouraged either to bypass the established processes of the MNC in order to remain agile, or to take advantage of specific capabilities from several internal business units and support functions all along the value-chain (Vermot Desroches & André, 2012): cost reduction through high volumes of procurements; manufacturing standards of quality thanks to assembly lines; a global supply of products and solutions based on the internal logistic management. When it comes at marketing the offer, the Business Development team relies on a decentralized team of sales force managers in the local operations. Operational members of the team remained functionally attached to the country branches but hierarchically dependent from the corporate team. As a matter of fact the Sustainable Development department directly supported their wages. Figure 2.6 depicts the organizational chart for the Innovation pillar between 2010 and 2013.

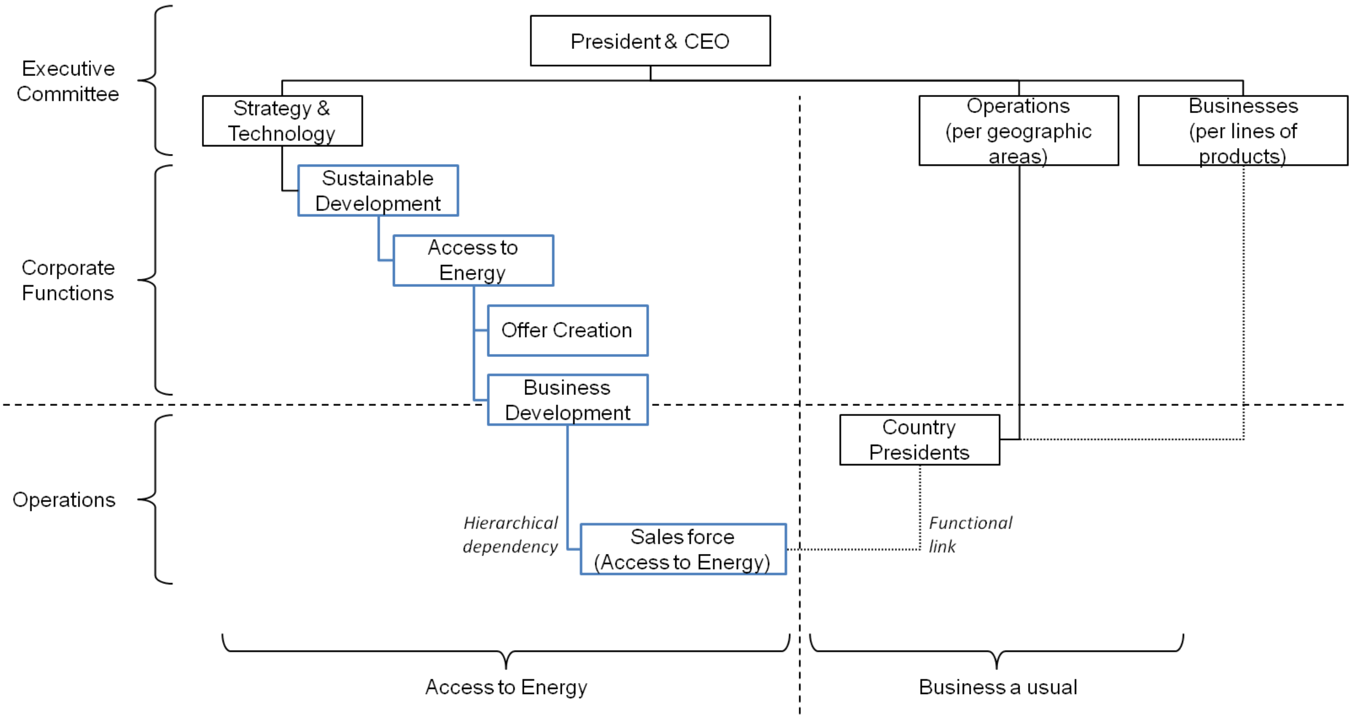

Figure 2.6: Organizational chart for the Access to Energy Program (2010-2013)

The development of specific partnerships with non-traditional local actors permitted to respond to rural end-customers' demand. This demonstrated the potential to create adequate market access channels at the BoP. However at that time, the Access to Energy program was not assessed on its sales or even profits. Aligned with the adoption of an awareness approach, the management control for the Access to Energy program rather focused on its societal value creation. The company communicated externally on the number of households that gained access to energy thanks to the company's products and solutions. A specific indicator was added to the Planet and Society barometer – the CSR dashboard of the company – to track the progress of the Access to Energy program. The objective to grant access to energy to one million households at the BoP during the period 2009-2011 was then renewed for the period 2012-2014, following the change of the company program.

Beside the direct financial and societal values created by the program, local managers started to acknowledge for the potential to capture indirect business returns. Some local business operations generated "business as usual" contracts following energy access projects thanks to the intimacy developed with local decision makers, business partners, and customers. As an example, the current operational director of French speaking countries in Africa explains that "There is a huge potential in Africa. Our commitment to Access to Energy brings value to our customers. It's a driver to increase our business. We have to highlight this competitive advantage to sell our offers every day." In parallel, the awareness of extra-financial benefits in terms of brand building, employees' engagement and talent attraction, or business innovation increased among the management team of the program. In order to test those assumptions, the Sustainable Development department invited the action research to perform in mid-2012 two enlarged Cost-Benefit Analyses in Vietnam and Nigeria after that two decentralized village electrification projects were inaugurated. Those two surveys validated the quantitative and qualitative positive impacts for the company. The public relations and the communication events improved the relationship with national authorities and business partners. The relative high press coverage of the two projects permitted to attract new customers translating into traditional business contracts. In Vietnam, the country branch developed new competencies in renewable energy and off-grid electrification, which permitted to extend its value proposition. In both countries, the employees testified for an increased engagement during the next campaign of the internal employees' satisfaction surveys.

Time was ripe at the operational level for the Innovation pillar to contribute to the general repositioning of CSR as a business opportunity for the company.

4.4.2 Step 2: Starting the transition with an organizational change

A successive increase of yearly sales for the access to energy offer led the corporate team to achieve in 2013 a €20 million turnover and to reach the breakeven point. In early 2014 a number of moves were made to better capture the growing opportunities represented by the BoP market segment. The Executive Committee decided to extend sales targets to every operational businesses concerned by the Access to Energy program. Executive Vice Presidents and Country Managers now have incentives based on their achievements in the Access to Energy business. The fact that operational business directors at the local level had to be accountable for access to energy sales induced a shift of conceded investments into human resources from the corporate to the operational levels. The organizational chart of the Innovation pillar was reconsidered. First, the local sales forces responsible for Access to Energy are now directly under the supervision of the operational business managers. Second, the corporate team of the Access to Energy program would have now a supporting role in managing the business activities. Figure 2.7 illustrates this organizational change.

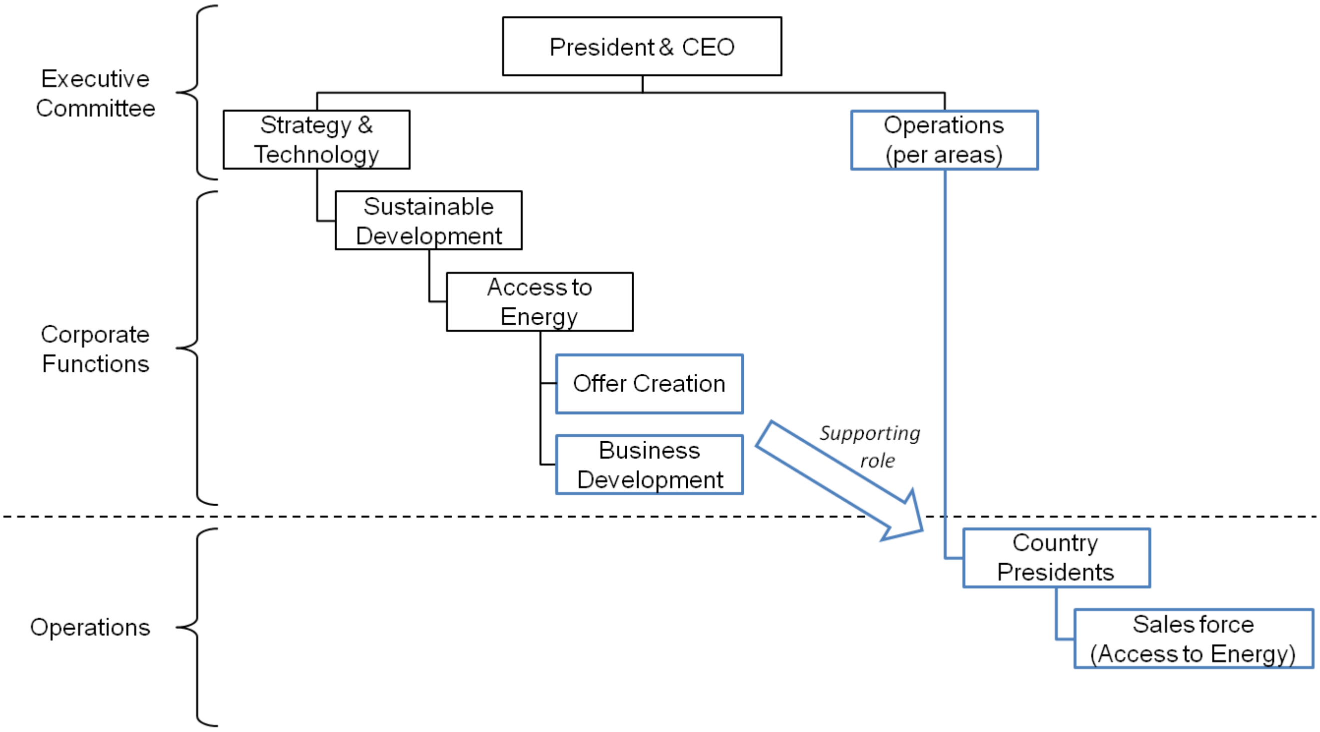

Figure 2.7: Organizational chart for the Access to Energy Program (2014-present)

The Sustainable Development department suggested an "extended P&L" as the new template to monitor the Innovation pillar in this new setting. This extended P&L was intended to demonstrate the indirect and extra-financial benefits to the company, and thus put the so far limited profitability of the program in a larger perspective. Savings on communication expenses from highly visible events such as the RIO+20 conference as well as sales from indirect business-as-usual contracts derived from BoP activities in countries were added to the revenues and increased the margin. This attempt to create a new diagnostic control system was strongly fought by the Finance and Control department. First, the domains of impacts covered were very different in nature and required to track numerous new indicators. Many of those indicators could not be monetized while some others simply could not be measured through existing processes. Second, it appeared to be difficult to isolate or justify the contribution of the BoP activities towards the global indirect benefits compared to, for instance, other public relation or communication activities. This type of adaptive learning in creating an extended P&L appeared to be a dead-end. Such single-loop learning is illustrated in Figure 2.8 for years 2009 to 2013.

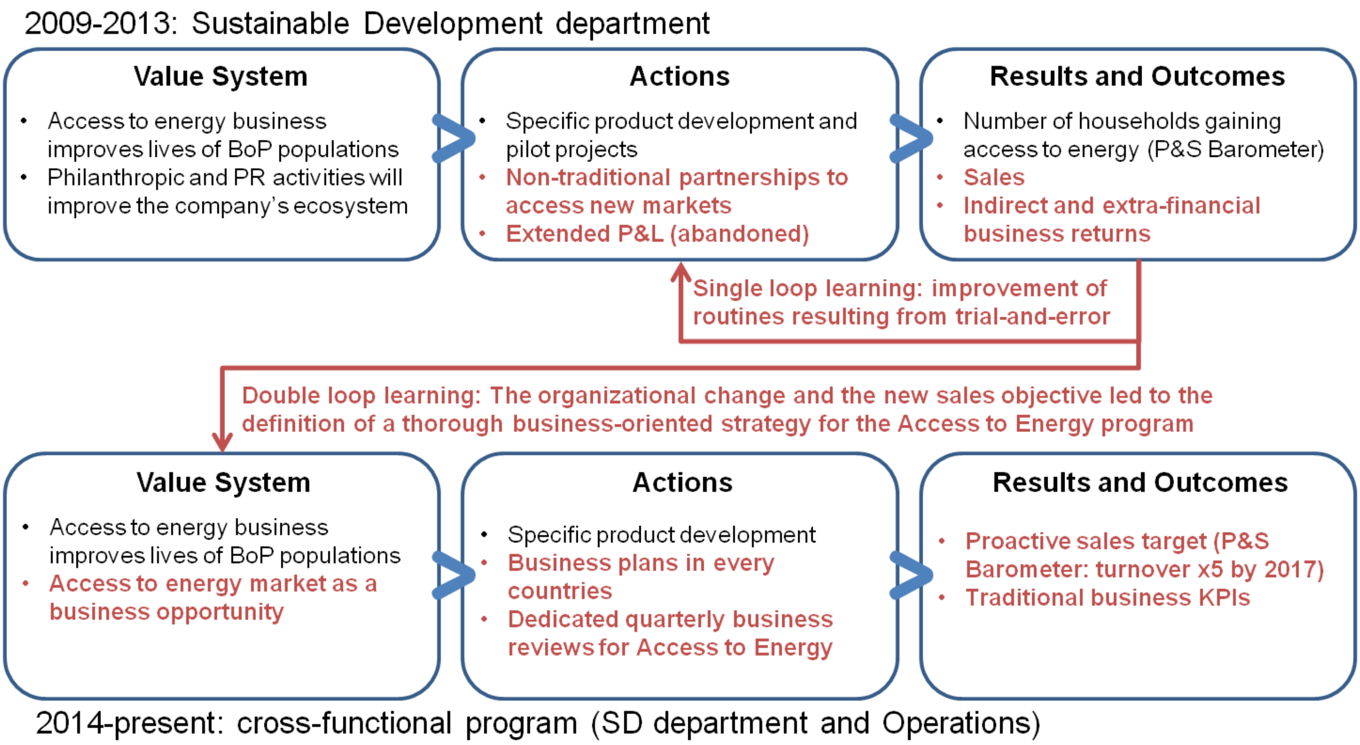

Figure 2.8: Organizational learning for the Access to Energy program

4.4.3 Step 3: top-down validation of a business opportunity strategy

In mid-2014 the Sustainable Development department initiated discussions with the top management to review what would be the next Planet and Society barometer for the period 2015-2017. Regarding the Access to Energy program, the SD director agreed with his hierarchy that the new indicator would now track growth of sales as a mean to communicate externally on the business ambition of their responsible BoP program. It was time for the Access to Energy program – created five years ago – to demonstrate its capacity to scale-up, and for the company to testify for its leading position in the industry. This shift from a societal to a commercial indicator testifies for the inclusion of the Access to Energy program into the overall CSR strategy as a business opportunity approach.

Discussions between the SD director and the Access to Energy program managers lasted until late 2014 to fix a target related to the sales indicator. At that time, the initial business plan for the program was to multiply by five its annual sales within a period of five years. In order to align it with the period of three years of the company program and the new Planet and Society Barometer, the top management agreed with the SD director to keep the business plan objective. The new target to reach would be to multiply annual sales by five at the end of 2017 compared to 2014. Facing such a demanding objective, both the Business Development team of the Access to Energy program at the corporate level and the Country Presidents at the local levels considered that their present activities would not permit to grow accordingly and reach the new target.

The Access to Energy program therefore faced a double pressure. First, the organizational change that occurred one year before enlarged the governance of the program to new entities, namely the business operations. Second, the top-down pressure to achieve the expected sales target for the Access to Energy program appeared completely unrealistic. These pressures, however, created the conditions to start an interactive process between the stakeholders of the program in order to question its inner strategy. A series of working groups were established, leaded by the corporate team of the Access to Energy program, and involving interested country presidents and their local sales force managers. The intended outcome was to provide credible and priority action plans in every geography where the program was implemented. In late 2014, the working group delivered a "starter-kit", which consists in a managerial guide to define and roll-out new go-to-market strategies for the access to energy business in every country. Responsibilities and capacities were clearly identified: local operations in countries would bring business insights, mobilization of local support functions, and their knowledge of the local socio-economic context to define the action plans, while the corporate team would support them thanks to their extensive knowledge of energy access products and global market, and their direct access to C-level business partners and international institutions. Such a double-loop learning is illustrated in Figure 2.8 for years 2014 to 2015

4.4.4 Step 4: securing the Access to Energy program within a business opportunity approach

Another outcome of the working group was the settlement of dedicated quarterly business reviews for the Access to Energy business. Geographic operation directors, country presidents and Access to Energy program directors meet periodically to control for the implementation of the pre-defined action plans. Corrective actions are decided when results – particularly financial targets – are not met. However, such a diagnostic control system presents some limits. A critical point concerns the organizational design. Whereas the positioning of the Access to Energy Program within the SD department was perfectly adapted to its early position as a protected start-up, this positioning appears as a handicap for its broader deployment within the operational businesses as part of business as usual. The SD department does not have the authority neither to ensure the credibility over time of the sales targets put in place by the top management nor to define the associated management system.

As suggested by the experience of the two CSR programs detailed in section 4.3, it seems that a repositioning of the Access to Energy Program into a set of similar programs would be beneficial.

Two possibilities may be considered: either within the Strategy & Technology Division or directly into one of the Business Divisions. Since the Strategy & Technology Division is more focused on long term and prospective issues the second possibility seems preferable. Indeed the Business Divisions display a matrix organizational structure: Business Units are in charge of product lines and general market segments, while Operations are in charge of their marketing deployment across the geographical segments. Central product lines have their own Innovation and Marketing departments. It would then be sensible to associate the Access to Energy Program to the Business Units in which the corresponding products and solutions would appear as natural extensions of existing activities. In that sense, the Access to Energy program could merge with the “Solar BU”, for which products and solutions are already mobilized by the former into decentralized rural electrification contracts. Some members of the Access to Energy Program currently within the SD department would then move to the corresponding functional team in the selected Business Unit.

Pursuing on a similar line of thought the extension of the current management and control system would have to be defined through a group directly involving representatives from the finance and control department, along with members of the Access to Energy Program. This would ensure that the sales targets, along with relevant KPIs would be integrated into the general management system of the company. As a consequence of such organizational change, the monitoring of Access to Energy business activities would be integrated into traditional quarterly business reviews as any other business units. Operations managers would have to explain why and how these specific targets would have to be updated, given that they were accepted as part of the overall objectives, with the associated budgets (i.e. technical and marketing support from central departments, HR resources allocated to achieve these targets, etc.).

Keeping in mind that the Access to Energy program has been initiated as a BoP strategy – i.e adopting a shared value creation approach – and communicated to that effect, the management and control system would have to be also defined together with the Sustainable Development department. This reorganization would greatly simplify the management of the Access to Energy Program. On the one hand, it would be integrated into the business as usual activities, to ensure its scale-up. On the other hand, the SD department would remain in charge to externally report the activities of the program and to ensure societal accountability, building on indicators deeply rooted into the operations.

5 Discussion of the Findings

In the light of the analysis of the two other CSR activities, we might identify a similar four-step trajectory for the BoP program that switched from an awareness approach towards a business opportunity strategy. Figure 2.9 illustrates the transition of the Access to Energy program based on our conceptual framework:

- The Access to Energy program was initially philanthropic, aligned with an awareness perspective. First achievements were primarily controlled through diagnostic systems composed of a specific KPI included in the CSR dashboard of the company (i.e. the Planet & Society Barometer). As such, accountability is mostly external through a societal objective to provide access to energy to two million households at the BoP.
- First proofs of a business approach at the BoP lead the top management to initiate an organizational change and to further involve local operations. The governance of the program is now cross-functional between the Sustainable Development department and the business operations. This constituted the starting point to create an interactive control system, while the BoP program remained in an awareness perspective for the company.
- Based on an increase of yearly sales, the top management reconsidered the Access to Energy program as a business opportunity. A new proactive commercial objective was set to multiply annual revenues by five within a period of three years. Such a pressure led the different managers involved in the program to reconsider its overall strategy and embed it further within operational and support functions. This phase changed the mindsets of the middle managers and finalized the transition of the Access to Energy as a business opportunity. The newly interactive control system took the form of a working group. Its conclusions were to develop specific action plans and priorities for every country that would be discussed periodically through dedicated quarterly business reviews.
- Finally, a line of conduct was suggested to further install the program within the general business routines of the company by merging the Access to Energy program with a Business Unit. This would finalize the embeddedness of the program within the traditional diagnostic control system of the company, for instance by being included into general business reviews rather than being addressed separately.

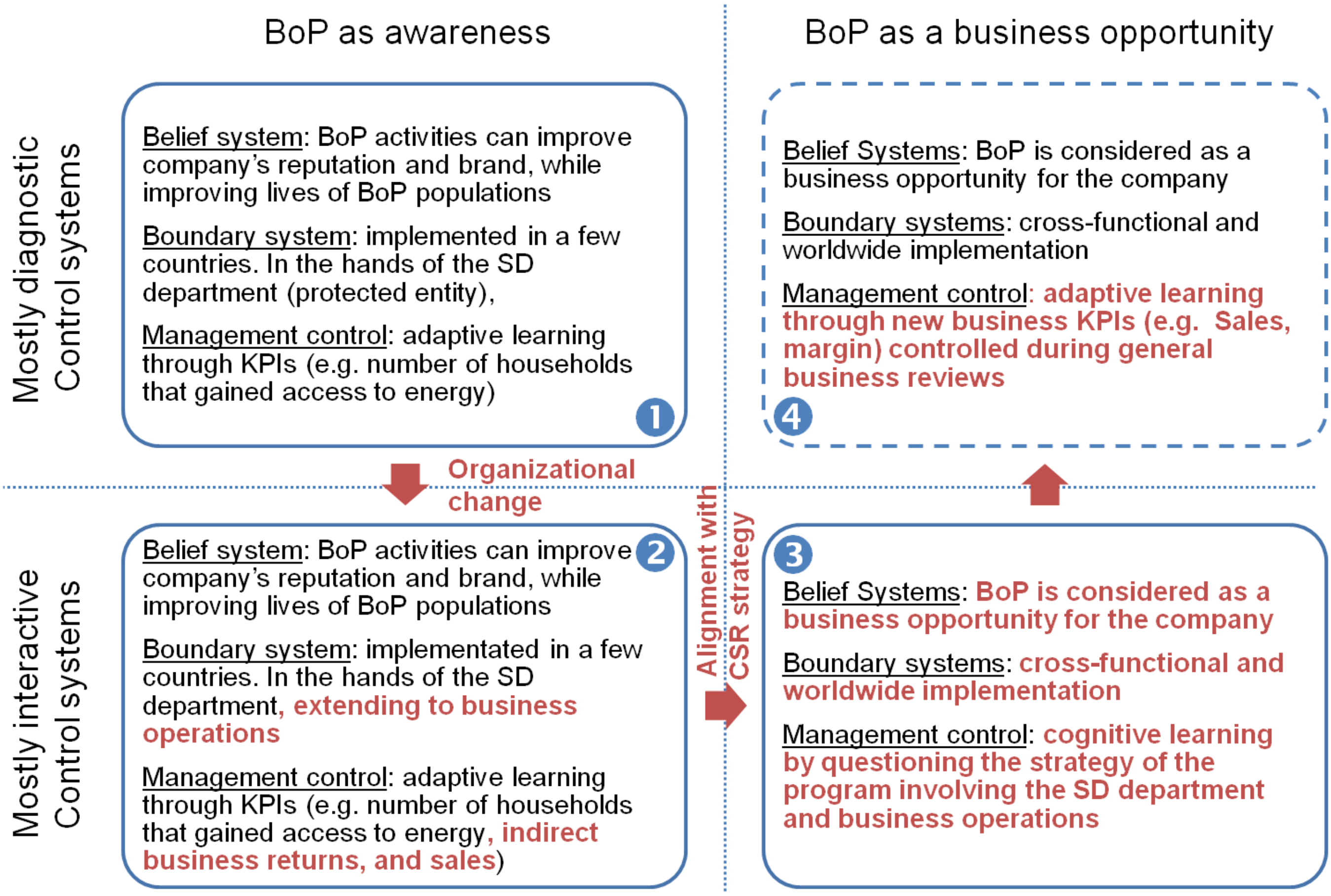

Figure 2.9: Transition of the Access to Energy program towards a business opportunity approach

The three CSR activities studied in the paper present a similar transition from an awareness perspective towards a business opportunity strategy. The implementation of interactive control systems permitted this transition by questioning the inner strategy of each activity in accordance with the recent shift of the overall company's strategy. We may however notice a few differences between the two other CSR activities (Go Green in the City and Solar Decathlon competitions) and the BoP activities (Access to Energy program). One of the major differences for the two other CSR cases lies in the fact that the business opportunity shift started right after a general reorganization of the company. Their alignment with the recent CSR strategic change of the company appeared as a bottom-up consequence of the interactive process across involved departments. On the contrary, the Access to Energy program faced a rather top-down pressure through the combination of a broader governance of the program and a demanding renewed business objective. Still, an interactive process permitted as well to finalize the transition towards a business opportunity approach. Another difference – which might explain the first one – concerns the expected creation of an economic value from the three CSR activities, alongside their societal purpose. Most of the benefits of Go Green in the City and Solar Decathlon competitions are indirect sales or extra-financial. As a BoP strategy, the access to Energy program is first and foremost a business approach. In that sense, direct business returns in terms of sales and profitability is better inscribed in the core activities of the firm and remained aligned with the change in the CSR positioning of the company.

6 Conclusion and suggestions for further research

Internal organizational barriers explain the difficulties to implement BoP as a win-win strategy relative to early expectations. This led a number of companies to adopt a preliminary stage in which these activities were centrally managed directly by the CSR department under preserved and discretionary rules. This stage was intended to build experience and provide evidence of the profitability of BoP activities. Further on the question of the transition of these activities to business as usual remained largely unexplored.

This paper investigates this transition process. The main finding concerns the benefit that BoP activities can build on the parallel change in the CSR strategy of the firm. Indeed one has observed in the last decade a growing articulation of the business strategy of the firms with some specific global societal challenge in line with its core activities. This change provides both a need and an opportunity for BoP activities installed in their preserved status. We explore the successive steps associated with this change for BoP activities at Schneider Electric through a longitudinal case study, and identify the possible difficulties.

Every BoP program aimed at reaching an untapped market of low-income consumers might not be able to reach a business opportunity perspective. Some cases like DuPont's subsidiary Solae and its soy-based protein sachets or P&G and its PUR water purification sachets illustrate such a failure. The first and foremost reason lies in the fact that such new business activities could not answer a market demand and reach significant sales that could support the investments. In our case, the BoP program at Schneider Electric testified for an increase of its turnover during the first four years and succeeded to reach the break-even in 2013. Generating sufficient revenues during an incubating phase appears therefore as a first criterion for the top-management to consider any new activities as a potential business opportunity. That was a necessary but not sufficient condition. Another BoP program failure at HP highlights the need to protect from a change in the management of the company or the BoP program itself. Our longitudinal field study of Schneider Electric highlights two key milestones. First, the BoP program had to further embed into the firm's organization and more precisely into traditional business operations as a mean to embrace general routines of the company. Second, a clear ambition from the top management on volumes of sales reinforced the perception of the middle management to pursue BoP activities as a new type of business. As a consequence of these combined conditions, the stakeholders of the program adopted an interactive process. Indeed, the managers involved in the program both at the corporate and operational levels had to further cooperate and mobilize every capability should they want to have any chance to reach such demanding results. In turn, the inner strategy of the program was questioned, inscribing it further into the overall CSR strategy of the firm, and confirming its transition towards a business opportunity approach.

Finally, we suggest a possible line of conduct that would involve a clear migration of the BoP activities away from the CSR department. Presumably the firm has conducted a reassessment of its strategy to address the specific global challenge that now appears as underlying its vision. This may be in terms of innovation, marketing, supply chain… which redefines the role of corresponding functional entities. An important conjecture that emerged from our analysis is that BoP activities cannot be directly transferred to operational entities without simultaneously identifying which of the functional department will be in charge of providing the corresponding management systems. It cannot be expected that the functional entities in charge of the general review process (typically strategy, finance and control) be able to provide these systems. The limited turnover and profitability of BoP activities will require a somewhat long term perspective which can only be endorsed by a department that has clearly adopted the new CSR approach as a core value of the company.

This conjecture is indirectly supported by the analysis of two other major CSR activities within the company for which similar transitions have been observed. Based on our conjecture we made some proposals for this migration in Schneider Electric. Further research is clearly needed to confirm the validity of our specific proposals, and more generally of our conjecture. It would be of particular interest to complete the earlier case studies carried on in Novozymes and Lafarge. A transition did actually take place at Lafarge. There has been a reformulation of the vision of the company now expressed as “Building better cities” to tackle global challenges such as urbanization and climate change as potential business opportunities. The reformulation has induced a number of internal programs conducted by the Innovation department. BoP activities migrated from the CSR department to this new corporate department along its deployment into operations. These very preliminary findings are encouraging for further research.

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CHAPTER 3: Managing Societal Performance of Impact Investing: An Action Research Inquiry

Abstract:

Impact investments are emerging as a new asset class of social finance, sometimes driven by multinational enterprises as part of their strategic corporate social responsibility strategy. These investments intend to create positive societal impact beyond a financial return through the development of social enterprises. Scholars have highlighted the conflicting institutional logics that these later hybrid organizations must face when combining social welfare and profitability. Yet we lack in-depth insight into how impact investing funds are building their own accountability and legitimacy, and more specifically how they are responding to their investor's pressure to manage societal impact. This paper builds on a three year action-research program conducted with Schneider Electric, a multinational enterprise specialized in energy management. The company initiated and sponsored an impact investing fund targeting energy access ventures in Sub-Saharan Africa, alongside four Development Finance Institutions. Grounded in neo-institutional and resource dependence theories, the article analyzes the perceptions of the fund's managers and suggests a pattern of strategic responses. The fund initially conformed to the emerging values and practices of the industry motivated by a search for salient legitimacy. Then they turned to find a compromise when facing operational complexity, and negotiated the increasing number of requirements from their investors. The paper further provides recommendation for social innovation actors in adopting a performance-oriented approach for managing societal value creation.

Keywords: Impact Investing – base of the pyramid – Multinational Enterprises – Institutional theory – resource dependence theory – action-research – case study

1 Introduction

Over the past decade, a new asset class of social finance has emerged. A recent study on 125 impact investing funds revealed a cumulative commitment of USD 46 billion of direct investments mostly in companies (78%) active in emerging markets (70%) (Saltuk, El Idrissi, Bouri, Mudaliar, & Schiff, 2014). Impact investments in social enterprises active in microfinance and financial services, energy, housing, food and agriculture, healthcare or education aim at tackling societal needs of low-income populations also referred to as the Base of the Pyramid (BoP). Such investments are promised to exponentially grow over the next decade, reaching at least USD 400 billion available for impact-oriented ventures (O'Donohoe, Leijonhufvud, Saltuk, Bugg-Levine, & Brandenburg, 2010). This constitutes a promising opportunity for both social enterprises that are currently undercapitalized, and policy makers aiming to boost their social and environmental sustainability commitments through economic development (Mendell & Barbosa, 2013). Multinational corporations (MNCs) have also embarked among impact investors by launching corporate venture capital funds thus imitating government behavior. This is the case of Danone and Mars and their Livelihoods 3F fund, Engie and its Rassembleurs d'Energies fund, or Schneider Electric and its Energy Access Venture Fund. Aligned with their Corporate Social Responsibility (CSR) strategy, these funds help MNCs to further commit at the BoP by investing in external social enterprises and generate competitive advantage through innovative business ventures screening.

As a nascent industry, impact investing has not yet attracted much scholar study. A first common definition describes their investments as intended to explicitly create positive social and/or environmental impact beyond financial return (Höchstädter & Scheck, 2014). As such, impact investing differs from Socially Responsible Investments (SRI) in the sense that societal impact is a primary concern for investors, potentially inducing a tradeoff between financial (i.e. on the Internal Rate of Return – IRR) and societal (i.e. on Environmental, Social and Governance – ESG – criteria) expectations.

Similar to social enterprises or microfinance organizations in which they invest, impact investing funds can be described as "hybrid" organizations (Battilana & Dorado, 2010; Smith, Gonin, & Besharov, 2013). In that sense, they need to combine two potentially conflicting logics, namely a social welfare and a commercial logic (Jay, 2013). Standing in a shared value perspective (Porter & Kramer, 2011), impact investing funds are urged by their own investors and stakeholders at large to manage and report their societal performance alongside their traditional financial one. However, impact investing funds evolve in an institutional change within which values, beliefs, practices and rules are still structuring and no standards exist yet

(Greenwood, Suddaby, & Hinings, 2002). Examining the shared value commitment of the impact investing industry has not been systemically carried out. Therefore, the paper aims at understanding how impact investing funds are managing these combined commercial and societal performance objectives in order to build accountability and legitimacy within their value chain.

The paper is built on the in-depth case study (Eisenhardt & Graebner, 2007; Yin, 2009) of Energy Access Ventures Fund (EAVF), an impact investing fund aggregating total assets of € 54.5 million and targeting energy access ventures in Sub-Saharan Africa. The case is grounded in an action-research partnership (Rapoport, 1970) initiated in late 2011 with Schneider Electric. The company is a global leader in energy management that actually launched and sponsored the project in the context of its access to energy program targeting the Base of the Pyramid. This case study analyzes the design of the fund until the date of its closing in early 2015 and the negotiations that took place between the fund's managers and its investors, namely its corporate sponsor and four Development Finance Institutions (DFIs). While the fund's managers attracted the DFIs based on common beliefs and aspirations in impact investing, the later enforced them to consider numerous requirements prior their investment in EAVF. Constraints such as a minimum internal rate of return, a limited share of organizational and management fees to support the investees or a high level of expectation to monitor societal benefits of each investment appeared potentially conflicting to the fund's managers. Pertaining to our research question on building impact investing fund's accountability and legitimacy, the article further aims at examining how EAVF is responding to these pressures and more specifically to manage its societal performance. Such inquiry would also provide MNCs the knowledge to apprehend the societal performance of their externally managed BoP activities or impact investing funds.

In order to study the EAVF managerial perceptions and strategic responses to these pressures we ground the case in neo-institutional and resource dependence theories, as initiated by (Oliver, 1991). Institutional theory has been well mobilized to study hybrid organizations such as social enterprises (Pache & Santos, 2010, 2013), microfinance organizations (Battilana & Dorado, 2010), and Social Responsible Investments (Arjalies, 2013). Early writings in institutional theory mostly predicted conformity to dominant norms (Meyer & Rowan, 1977). However, recent writings emphasize that factors such as agency, choice, proactiveness and self-interest can lead to a variety of more resistive responses (Jamali, 2010; Oliver, 1991; Tan & Wang, 2011).

In our case study, EAVF did not adopt blindly dominant norms as no explicit societal performance management standards were either shared within the impact investing industry or agreed between the fund's investors. The findings rather suggest that the fund conformed to the industry's values and emerging practices as a natural strategic response to gain legitimacy and anticipate its potential investors' expectations. In a second phase, EAVF searched for compromise when they faced the operational complexity of the procedure and negotiated the increasing number of requirements from its future investors. EAVF managers acknowledged their resource dependence towards the DFIs that somehow limited their bargaining power but permitted inter-organizational arrangements. The case study also discusses a potential risk for EAVF managers to avoid the DFIs requirements. The findings suggest that periodic discussions and renegotiations of the DFIs' requirements would limit the risk to create a "legitimacy façade". Finally, the research findings reassert a potential conflict – or a delicate balance – between societal and financial value creation objectives. The fund's managers recognize that their newly established procedure embeds two logics that are potentially conflicting although not incompatible, while it could grant them legitimacy towards external rating and certifying bodies in due time.

The remaining of the paper is structured as follows. Section 2 provides a brief overview of impact investing and societal performance management and then presents relevant institutional and resource dependence theories that were used to guide the empirical part of the paper based on the framework of Oliver (1991). Section 3 explains the research context as well as the grounding of the paper in Action Research and the case study methodology. Section 4 derives the theoretical framework on the strategic responses from an impact investing fund to institutional pressures. Section 5 discusses the findings. Finally, Section 6 concludes this paper, provides recommendations for social innovation practitioners and suggests future research.

2 Literature overview on institutional pressures and theoretical framework

2.1 Social innovation, impact investing and societal performance

2.1.1 Social innovation and social finance

The "social innovation" concept has recently regained corporate interest. Westley and Antadze (2010, p. 2) defined social innovation as being "a complex process of introducing new products, processes or programs that profoundly change the basic routines, resource and authority flows, or beliefs of the social system in which innovation occurs. Such successful social innovations have durability and broad impact". Social innovation encompasses terms such as "social enterprise," "social entrepreneurship," and "social finance". One can witness the emergence of organizations adopting commercial purposes to achieve societal objectives such as poverty alleviation, health and education provision or climate change resilience. For instance, multinational enterprises pursuing a corporate responsible strategy have embraced the possibility to find growth or strategic opportunities while contributing to poverty alleviation (André, 2014) through "Base of the Pyramid" (BoP) strategies (Prahalad & Fruehauf, 2004) or social business ventures (Yunus, 2008). In the meantime, relatively new actors such as social enterprises (Dacin, Dacin, & Tracey, 2011; Mair & Marti, 2006; Seelos & Mair, 2005) and microfinance organizations (Battilana & Dorado, 2010; Bédécarrats, 2013) have taken the lion's share among academia. Despite the diversity of these ventures that adopt practices from both for-profit and not-for-profit sectors, they all require financial resources to start-up, grow, and go to scale. However, small and medium-sized entrepreneurs in developing countries' economies have little access to finance and fall in the "Missing Middle" (Kauffmann, 2005). Their access to formal finance is poor as they rarely meet conditions set by formal financial institutions and are also, generally, too large for microfinance organizations. They find their main sources of capital in their retained earnings and informal savings which are often not secured and have little scope for risk-sharing.

A new class of social finance actors has emerged in order to answer the specific needs of social innovation ventures (Moore, Westley, & Nicholls, 2012). Social enterprises are no longer solely tied to grants and contracts from government agencies or foundations as primary sources of financial support. In between the traditional philanthropy and mainstream investing, "social investments" are pursuing a blended value creation "that combines both an attention to financial return and a focus on social/environmental outputs or outcomes" (Nicholls, 2010, p. 76). Among the different terminologies covered by social investments, impact investing emerges as a "powerful and promising opportunity for social enterprises that are currently undercapitalized, as well as a boost to economic development committed to social and environmental sustainability around the world" (Mendell & Barbosa, 2013, p. 2).

2.1.2 Impact investing

Impact investing is a nascent industry which has not yet attracted much scholar study. A first academic review performed by Höchstädter and Scheck (2014) highlights the absence of a uniform definition and a clear understanding. Nevertheless, a high level of agreement anchors impact investing around "two core elements: non-financial impact, typically in the form of social and/or environmental impact, and financial return, which requires at least the preservation of the invested principal but can allow for market-beating returns" (Höchstädter & Scheck, 2014, p. 12). It is noteworthy that non-financial impact – i.e. societal impact – is meant to be intentional, that is to say, not an incidental side-effect of an investment. On the debate about the balance between financial and societal returns, the strategy of impact investors are considered to be at their own discretion, while a segmentation could classify them as finance-first or impact-first investors (Freireich & Fulton, 2009, p. 31; Joy, de Las Casas, & Rickey, 2011, p. 11). In that sense, impact investing differs from – or "goes beyond" – Socially Responsible Investment (SRI) by the fact that it is more proactive to solve social or environmental stakes, and that it primarily targets small and medium enterprises that are not publicly listed (Höchstädter & Scheck, 2014).

Impact investors are quite diverse and can range from Development Finance Institutions (DFIs), foundations, or diversified financial organizations and banks (Saltuk et al., 2014). Recently, MNCs have launched their own impact investing fund, adopting a corporate venture capital approach in order to support the development of innovative social enterprises. Asset classes and financial instruments mobilized by investors appear to be diverse, with a predominance of debt, equity, guarantees, and deposits (Höchstädter & Scheck, 2014). Impact investments will focus on ventures, mostly in emerging or developing countries, active in a wide range of sectors including agriculture, clean technology and energy, education, healthcare, financial services and microfinance, housing, or water. These investees appear to be predominantly in a post-venture stage (i.e. growth or mature stage), therefore testifying for a proven track record that shall limit the risks for their investors (Saltuk et al., 2014).

The objective of delivering societal impact from such investments appears critical for accountability. Impact investors require their investees to track and measure this new type of value creation at the operational level. However, an often cited and important limitation of the industry lies in the fact that there is a "lack of internationally agreed accounting standards for such capital flows" (Nicholls, 2010, p. 93).

2.1.3 Measuring impact performance

Social impact measurement has gained interest among social innovation practitioners. Social enterprises are specifically questioned on this topic to update their boards of directors in the achievement of their social mission, to appease their investors willing to control the use of the funds, or to guide their management team concerned by improving their activities (Stievenart & Pache, 2014). Despite the proliferation of hundreds of competing methods for calculating social value[1], social enterprises struggle to put them into practice (Mulgan, 2010). The concept of impact monitoring and evaluation primarily emanates from development aid in humanitarian and public sectors. The term "impact" is defined as the "Positive and negative, primary and

[1] See further the TRASI database, which references close to 200 approaches to social impact assessment. http://trasi.foundationcenter.org/

secondary long-term effects produced by a development intervention, directly or indirectly, intended or unintended" (OECD, 2002, p. 24). More recently, social impact evaluations have regained interest through the promotion of experimental techniques such as randomized control trials (RCTs) (Duflo & Kremer, 2003). However, such impact evaluations are expensive in nature, and require significant time and skilled human resources to be implemented. As such they appear to be unbearable by social enterprises (Hulme, 2000), or even incompatible with a business mindset. Some authors rather advocate for the development of on-going performance monitoring approaches aimed at understanding the induced social changes through quantitative approaches. In this line of thought, Mair and Marti (2006, p. 42) urge "to develop useful and meaningful measures that capture the impact of social entrepreneurship and reflect the objectives pursued."

Coming back to impact investing, the industry is also developing new impact measurement systems. The aim is to improve the reporting's transparency of social investees' performance, to enhance fund's accountability towards their stakeholders, and to make better capital allocation decisions (Antadze & Westley, 2012). Impact investors are therefore adopting emerging approaches such as rating systems (e.g. Global Impact Investing Rating Systems, GIIRS), certification or assessment systems (e.g. BCorp) or performance management systems (e.g. Impact Reporting & Investment Standard, IRIS) (Mendell & Barbosa, 2013; Olsen & Galimidi, 2008). The agreement on standardized performance impact metrics has been reported by practitioners as an important factor to develop the impact investing industry (Saltuk et al., 2014). As such, the Global Impact Investing Network (GIIN), a not-for-profit organization dedicated to increasing the scale and effectiveness of the impact investing industry, promoted the use of the IRIS database. IRIS is defined as a "catalog of generally-accepted performance metrics" (GIIN, 2015). It describes short to mid-term societal "outputs" or "outcomes" rather than long-term social "impact" in different sectors of activities. In that sense, Geobey, Westley, and Weber (2012) argue that building such meaningful and multidimensional measures represents an incremental innovation for investors while still having the potential to create transformative outcomes. The survey of Saltuk et al. (2014) on 125 impact investing funds reports for a large adoption of IRIS, promising the tool to become a standard (Bouri, 2011), aligned with the business-oriented practices of the industry.

Adopting a double financial and societal objective require impact investors to develop new societal performance methodologies as a mean to build their accountability towards their stakeholders, while not hindering financial returns. The following part provides a theoretical perspective on the way such actors surface conflicts and compatibilities among these two different institutional logics.

2.2 Institutional and resource dependence perspectives on pressures

2.2.1 Hybrid institutions and organizations

Institutional theory argues that relationships among organizations and the fields in which they operate are influenced by their institutional environment. An institution can be defined as "relatively widely diffused practices, technologies, or rules that have become entrenched in the sense that it is costly to choose other practices, technologies, or rules" (Lawrence, Hardy, & Nelson, 2002, p. 282). The act of integrating taken-for-granted institutional logics will in turn protect the organization from having its conduct questioned. This would help organizations gain legitimacy, that is the recognition of a socially desirable, proper, or appropriate status (Suchman, 1995). Multiple institutional logics might influence organizations simultaneously (Thornton & Ocasio, 2008). These multiple logics can co-exist and sometimes compete, leading to complexity (Greenwood, Raynard, Kodeih, Micelotta, & Lounsbury, 2011). Competing institutional logics tend to lead to arrangements between firms to ensure their operations (Tan & Wang, 2011; Westermann-Behaylo, Berman, & Van Buren, 2014). Co-existing logics might also give birth to a new hybrid version of the previous dominant logics (Arjalies, 2013; Thornton, Jones, & Kury, 2005).

A "hybrid" organization is an organization that embodies multiple institutional logics. Recently, researchers mobilized an institutional perspective to examine social innovation (Dacin et al., 2011). Several scholars describe social enterprises as hybrid organizations in the sense that they combine social welfare and commercial logics (Battilana & Dorado, 2010; Pache & Santos, 2010, 2013; Tracey, Phillips, & Jarvis, 2011). Battilana and Dorado (2010) describe specifically microfinance organizations as hybrid entities that "combined two previously separated 'logics': a *development* logic that guided their mission to help the poor, and a *banking* logic that required profits sufficient to support ongoing operations and fulfill fiduciary obligations." Most of the cited authors describe the simultaneous combination of conflicting logics. Developing collaborative relationships helps to manage the rivalry between these competing logics (Reay & Hinings, 2009) and lead to the creation of new institutions (Lawrence et al., 2002).

Pertaining to our organizational field, we argue that impact investing funds are hybrid organizations, similarly combining a development logic and an investment logic. While the impact investing industry has been structured from a predominantly investing institution, its proponents such as the Global Impact Investing Network (GIIN) strongly advocate for its societal purpose through common beliefs and strategy (O'Donohoe et al., 2010). This professional association further promotes the adoption of societal performance monitoring tools such as the IRIS catalog of impact metrics (Höchstädter & Scheck, 2014). Mobilizing neo-institutional theory, Nicholls (2010) highlights the multiple, contradictory, or ambiguous institutional norms and pressures that different types of social investors are facing. However, the author does not further detail how social finance actors manage their position in between a financial- and a societal-maximization perspective.

2.2.2 Theoretical perspectives on responses to pressures

Institutional theory focuses on the external logics being exerted on the organization. Earlier neo-institutional theorists emphasize the coercive, mimetic, and normative pressures of an institution that shapes somewhat predictable business practices. Such pressures to conform to norms could be overcome by organizations through decoupling (Meyer & Rowan, 1977). When decoupling, firms give only ceremonial or symbolical commitment to institutional pressures without adopting their required practices. This permits organizations to keep their values and beliefs unchanged. More recently, studies attempted to predict the responses of organizations facing multiple conflicting logics (Reay & Hinings, 2009). Studies focusing on the social innovation field such as microfinance organizations (Battilana & Dorado, 2010), social enterprises (Tracey et al., 2011), or social integration enterprises (Pache & Santos, 2013) highlight a combination or an adoption of both intact logics rather than decoupling. According to Battilana and Dorado (2010), having no prior experience with a logic would be a prerequisite in an organization for blended hybridization.

In parallel, resource dependence theory (RDT) rather suggests that the influence of these pressures are also linked to the control that its proponents have over the resources of the organization (Greenwood et al., 2011). This line of thought is based on the notion that “all organizations critically depend on other organizations for the provision of vital resources, and that this dependence is often reciprocal” (Drees & Heugens, 2013, p. 1667). Recent writings have also highlighted that passive conformity to rules and standards might have been exaggerated and that factors such as agency, choice, proactiveness and self-interest can lead to a variety of responses to institutional pressures (Jamali, 2010; Oliver, 1991; Tan & Wang, 2011). In their meta-analysis of 157 articles on RDT, Drees and Heugens (2013) validate the theory that was initially formulated by Pfeffer and Salancik (1978): organizations respond to resource dependencies from external actors by forming inter-organizational arrangements, which in turn strengthen the organization’s autonomy and legitimacy. Research on hybrid organizations has not devoted much attention to a resource dependence perspective and the associated arrangements that such actors could develop.

Therefore our article aims at addressing impact investing as hybrid organizations through a neo-institutional and a resource dependence theory perspective. We further propose to study the responses of such hybrid organizations that primarily rely on an investment logic while integrating a development logic to pursue their societal purpose.

2.3 Theoretical framework: Strategic responses to institutional pressures

2.3.1 Five strategic responses

Drawing on resource dependence and institutional arguments, Oliver (1991) proposes a detailed typology of strategic responses available for organizations facing institutional pressures. These include Acquiescence, Compromise, Avoidance, Defiance and Manipulation. Figure 3.1 sorts these strategic responses from passive conformity to proactive resistance.

Passive Conformity ⟷ **Active Resistance**

Acquiescence	**Compromise**	**Avoidance**	**Defiance**	**Manipulation**
Habit	Balance	Conceal	Dismiss	Co-opt
Imitate	Pacify	Buffer	Challenge	Influence
Comply	Bargain	Escape	Attack	Control

Figure 3.1: Repertoire of responses to institutional pressures (adapted from Jamali, 2010)

The most passive response, **acquiescence**, refers to the adoption of institutional logics and values. Such a response will be pursued through the habit of taken-for-granted norms, the imitation of institutional models, or the compliance to institutional requirements. **Compromise** refers to a partial conformity with institutional requirements. Organizations will balance the multiple expectations through negotiation, pacify some of the institutional pressures, or bargain demands from institutional stakeholders. **Avoidance** refers to the attempt by organizations to preclude the necessity of conformity or to circumvent the conditions that make this conformity necessary. Organizations will try to conceal their nonconformity, buffer themselves from institutional pressures, or simply escape institutional rules and expectations. A more active response, **Defiance**, refers to an explicit rejection of at least one of the institutional pressures. Organizations achieve this by dismissing or ignoring specific institutional logics, by challenging the rules and requirements, or by explicitly attacking or denouncing the institutional values and its promoters. Finally, **manipulation** refers to the most active attempt to change or exert power over the requirements that the institutions express and enforce. Manipulation tactics include co-opting the source of the pressures, influencing the definition of the norms through lobbying, or even controlling the organizations that are the sources of the pressure.

2.3.2 *Five institutional antecedents*

In order to characterize the institutional contexts and conditions under which organizations will embrace or resist institutionalizations, Oliver (1991) outlined five antecedents. These predictive dimensions include the Cause, Constituents, Content, Control and Context of the institutional pressures. Table 3.1 illustrates the degree of each of these institutional antecedents as a prediction of strategic responses adopted by organizations.

Table 3.1: Institutional antecedents and predicted strategic responses (adapted from Oliver, 1991)

Predictive Factor	Acquiesce	Compromise	Avoid	Defy	Manipulate
Cause					
Legitimacy	H	L	L	L	L
Efficiency	H	L	L	L	L
Constituents					
Multiplicity	L	H	H	H	H
Dependence	H	H	M	L	L
Content					
Consistency	H	M	M	L	L
Constraint	L	M	H	H	H
Control					
Coercion	H	M	M	L	L
Diffusion	H	H	M	L	L
Context					
Uncertainty	H	H	H	L	L
Inter-connectedness	H	H	M	L	L

L = Low, M = Moderate, H = High

Cause of institutional pressures typically answers why they are being exerted. It studies the rationale or intended adequacy of the organization with a social legitimacy and an economic efficiency. Institutional **constituents** identify who is exerting the pressures. It examines the multiplicity of the actors imposing the pressures as well as the dependency of the organization on them. The **content** captures what these pressures are. It considers the consistency of the pressures with the organizational goals and the discretionary constraints imposed on the organization. **Control** clarifies how or by what means pressures are exerted. It looks at both the legal enforcement and the voluntary diffusion of norms. Finally, the institutional **context** explains where the pressures occur. It explores the uncertainty and the interconnectedness of the environmental context within which institutional pressures are exerted.

Pache and Santos (2010) mobilize Oliver's typology of strategic responses to study institutional pressures that are exerted upon hybrid organizations. However their study does not carefully track the variations in the ten dimensions of Oliver's antecedents. They argue that the predictive power of Oliver's model is quite low when it comes to specifying responses to conflicting institutional logics exerted on the hybrid organization (Pache & Santos, 2010). We aim at opening the discussion one stage further. Our paper considers that the co-existing logics faced by impact investing funds are no longer necessarily antagonists. Relying on Greenwood et al. (2011, p. 352), the objective of our study is a first step to "learn whether organizations experiencing enduring and stable institutional complexity develop blended hybrid arrangements that, over time, become institutionalized *within* the organization and thus uncontested 'settlements'." In other words, we aim at understanding how emerging impact investing funds are managing their shared value creation by balancing financial and societal performance requirements.

3 Research context and methodology

3.1 The case of Energy Access Ventures Fund

3.1.1 Schneider Electric Access to Energy program

This case focuses on an impact investing fund that emanates from Schneider Electric, a leading French multinational enterprise in energy management. The company evolved to position itself as a solution provider for utilities and infrastructures, industries and machine manufacturers, non-residential buildings, data centers and networks, and the residential sector. The company employs more than 150 000 people worldwide, reaching a turnover of 24 billion Euros in 2013, for which developing economies represented 43%. Inscribed in the company's strategy, the Sustainable Development direction initiated an Access to Energy program in 2009 (André & Ponssard, 2015). This "Base of the Pyramid" (BoP) initiative aims at promoting access to energy for low-income populations in Africa, India and South-East Asia (Vermot Desroches & André, 2012). The Access to Energy program combines three business and philanthropic approaches:

- An impact investing fund, Schneider Electric Energy Access (SEEA), financially supports the development of small and medium enterprises (SMEs) in the field of access to energy and job integration;
- An offer creation team develops a specific portfolio of products and solutions. A business development team deploys them to commercially meet the means and needs of BoP populations that lack access to modern energy;

- A training team sponsors the creation of vocational training, through the financial support of the company's Foundation, in order to develop long-term regional competencies in electricity trades.

Since its launch, the Access to Energy program testifies for having invested in twelve SMEs; provided energy to more than 2.3 million households; and created almost 40 training programs in energy management reaching more than 62,000 people (Schneider Electric, 2015a).

3.1.2 Energy Access Ventures Fund

In late 2011, Schneider Electric capitalized on its experience with the SEEA fund to initiate the creation of a second bigger impact investing fund, called Energy Access Ventures Fund (EAVF). EAVF stipulates in its legal document that it has "a unique positioning" in the energy sector: "between Traditional pure private equity funds, targeting high investment returns and mainly investing in emerging markets; and Venture philanthropists and foundations, prioritizing social impact over financial return" (EAVF, 2015, p. 3). It further positions itself as a hybrid organization and defines itself as being "an impact private equity fund with a double objective: (*i*) generate a financial return for its investors between 6% and 10% net of management fees and (*ii*) complete investments with a measurable social impact on local communities" (EAVF, 2015, p. 3).

While SEEA cumulated total assets of € 4 million and invested in 12 companies in late 2014, EAVF succeeded in aggregating a total of € 54.5 million at the date of its closing in early 2015 (Schneider Electric, 2015b). Schneider Electric – the sponsor company – invested 30% of the total assets of EAVF alongside four Development Finance Institutions (DFIs): the UK's CDC Group (30%), the European Investment Bank (EIB – 18%), the French Global Environment Facility (FFEM) and PROPARCO (12%), and the OPEC Fund for International Development (OFID – 9%). EAVF is composed of three entities: the Energy Access Fund that receives the capitalization, its management company Aster Capital Partners, a portfolio management company specialized in private equity, and the advisory company Energy Access Ventures, in charge of the screening, the due diligence, the monitoring and the exit of investments. Figure 3.2 depicts the organizational structure of EAVF at the date of its closing in February 2015.

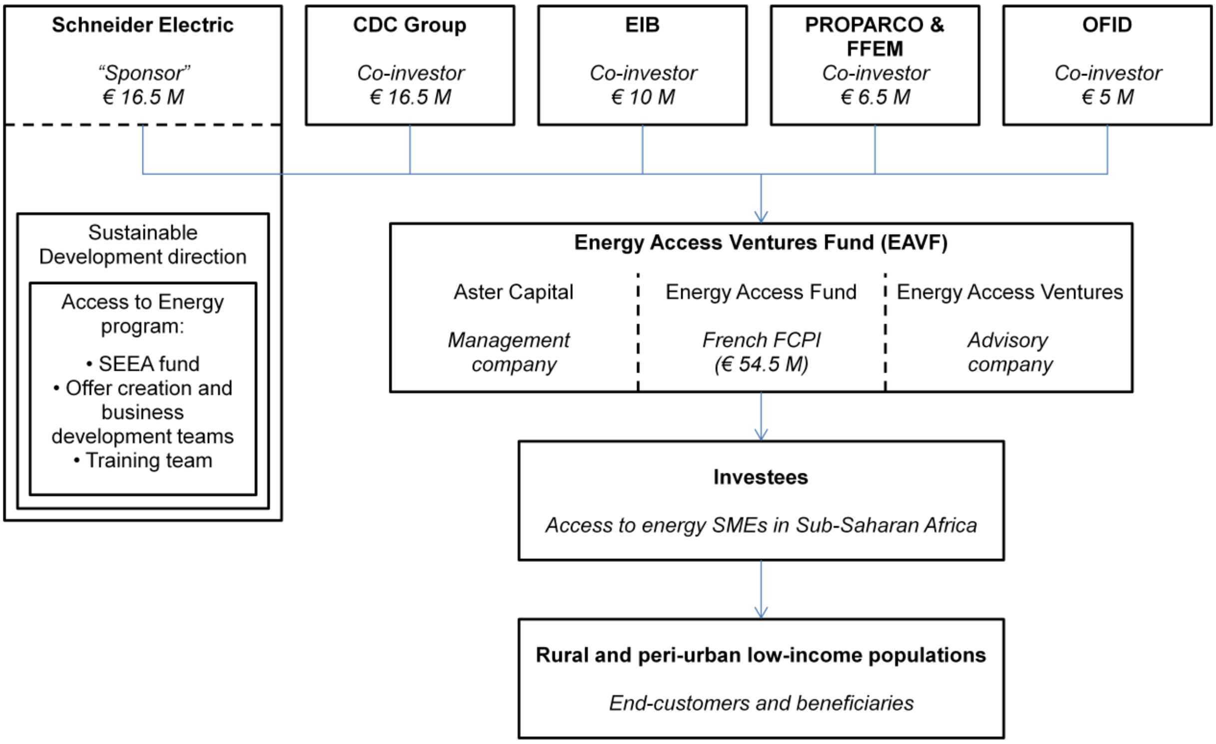

Figure 3.2: Organizational structure of EAVF as of February 2015

The strategy of EAVF can be described following the framework for impact investors provided by Höchstädter and Scheck (2014). On the **demography and geography** dimensions, the fund will focus on ventures targeting low-income (i.e. BoP) populations in Sub-Saharan Africa. The fund will start "in East Africa before expanding to other African countries" (EAVF, 2015, p. 3). On the **organizational processes** dimension, the fund intends to create economic and societal value for the beneficiaries through the investees' business operations. The **sector** dimension of the fund is primarily addressing off-grid rural electrification. Targeted ventures will be involved in manufacturing, distributing, selling, renting, installing, maintaining, financing or owning power generation systems, micro-generation infrastructures, "energy kiosks", fleet of batteries, or any other activities linked to electricity. On the **impact objective** dimension, EAVF clearly "plans to provide reliable electricity access to at least 1,000,000 low-income beneficiaries, in rural and peri-urban areas" (EAVF, 2015, p. 3). On the **financial and organizational structure** dimension of the recipients of the investments, the fund will primarily target non-listed small and medium size enterprises (SMEs) that are recognized as falling in the "missing middle", lacking access to traditional finance. Finally, on the **asset classes and financial instruments** dimensions, EAVF will "mainly invest in equity, quasi-equity or, to a lesser extent, long term debt instruments" (EAVF, 2015, p. 4). EAVF intends to be a minority shareholder investing up to 33% in the investees with investments ranging from € 500K up to € 4,000K per company.

EAVF undergoes both an institutional pressure, combining societal and profitability performance requirements due to its status of impact investing fund, and a resource dependency with its own investors, namely Schneider Electric and the four DFIs. The later imposed requirements on EAVF to develop procedures and tools to specifically manage its developmental impact.

3.1.3 Societal Management Procedure of EAVF

EAVF developed a triple bottom line accountability procedure in order to better understand the changes and impacts related to its interventions towards its portfolio companies and their environment. This Societal Management Procedure (SMP) is composed of two parallel methodologies as depicted in Figure 3.3. First, an Environmental, Social and Governance (ESG) management system aims at assessing and mitigating risks. Secondly, an Impact Performance Monitoring (IPM) system aims at understanding, capturing, and improving the social and environmental value creation of the investees' activities. Those two parallel approaches, embedded in every steps of the investment procedure, lead to the definition of specific technical assistance provided to the portfolio companies. The DFIs which invested in EAVF also committed an additional € 2.4 million to support technical assistance.

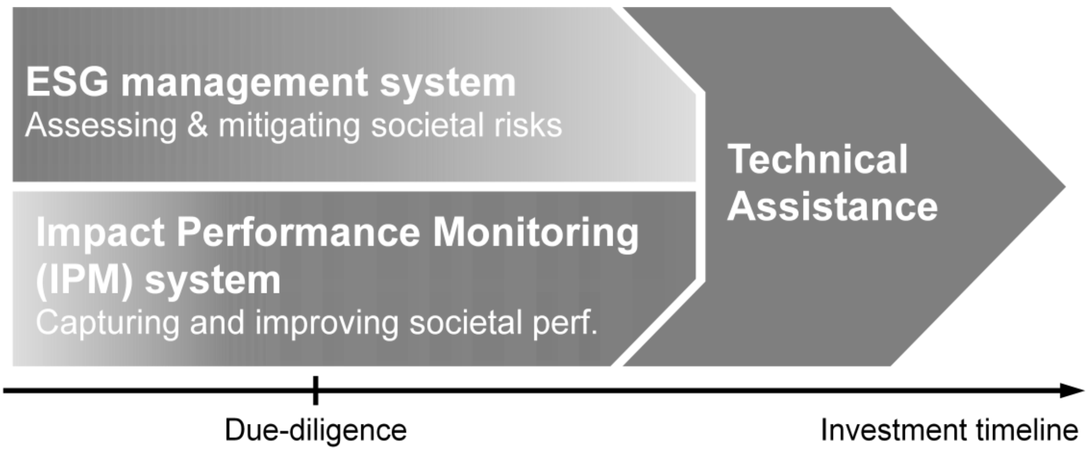

Figure 3.3: Societal Management Procedure (SMP) of EAVF

Screening Environmental, Social and Governance criteria has been popularized by the Socially Responsible Investment (SRI) industry. EAVF adopted the CDC Group toolkit for fund managers (CDC Group, 2010), which is recognized as a reference standard for investment funds active in developing countries. ESG management systems review each investees' social criteria (e.g. working conditions, H&R management, impact on local communities), environmental criteria (e.g. visual impacts and noise, waste and effluents, air emissions, energy efficiency, water consumption), and governance-related criteria (e.g. business integrity and good corporate governance).

As for the Impact Performance Monitoring system, the fund had to develop its own methodology as no explicit tools were available neither in the impact investing industry nor in the energy access sector. The requirement to adopt a societal management procedure implies that the EAVF team must dedicate a significant amount of time in assessing, reviewing, and reporting the societal performance of its investments. Meanwhile, the EAVF team raised some operational limitation concerns based on their previous experience in impact investing. All those aspects were negotiated with their investors prior to the final closing of the fund and is presented in the case study.

3.2 Action Research and case study methodology

The research question of how an impact investing fund is building its accountability and societal legitimacy towards its stakeholders originates from a doctoral collaboration with Schneider Electric. In September 2011, the author initiated an applied research with the Sustainable Development direction, which focused on the company's concern about managing extra-financial benefits of its "Base of the Pyramid" initiative. At that time, the Access to Energy program was already running the SEEA fund. A few months later, the company took the decision to build a second external impact investing fund that would become EAVF. The research collaboration permitted to the author to share his time with the team and thus develop an "insider" position (Brannick & Coghlan, 2007). In that sense, I benefited from an "active member" status and assumed "a functional role in addition to the observational role" (Adler & Adler, 1987). My position facilitated building "trust and acceptance of the researcher" (Adler & Adler, 1987) and gave me the ability to get into the organizational system, to take part in the meetings, and to influence decisions related to the research partnership. A governance mechanism was built to avoid a potential interpretation bias related to the insider position of the researcher, who is said to have an underlying social, economic, or even ideological motivation. Twice a year, a steering committee of the research partnership permitted to review the progress of the research, to discuss its learning, to adapt research activities, and to validate the next steps.

On the methodological side, the paper is grounded in an action-research. A common definition has been provided by Rapoport (1970): "Action research aims to contribute both to the practical concerns of people in an immediate problematic situation and to the goals of science by joint collaboration within a mutually acceptable framework" (p. 499). As a researcher, the author contributed to generating the phenomenon that is intended to be analyzed through his research activities. The action-research collaboration with the Sustainable Development direction followed the cyclical process described by Susman and Evered (1978). The cycle was aimed at understanding and defining the answer to pressures of adopting societal management procedures of the new impact investing fund. It started in January 2013 and lasted two years until the closing of the fund. Figure 3.4 depicts the cyclical process of the action-research.

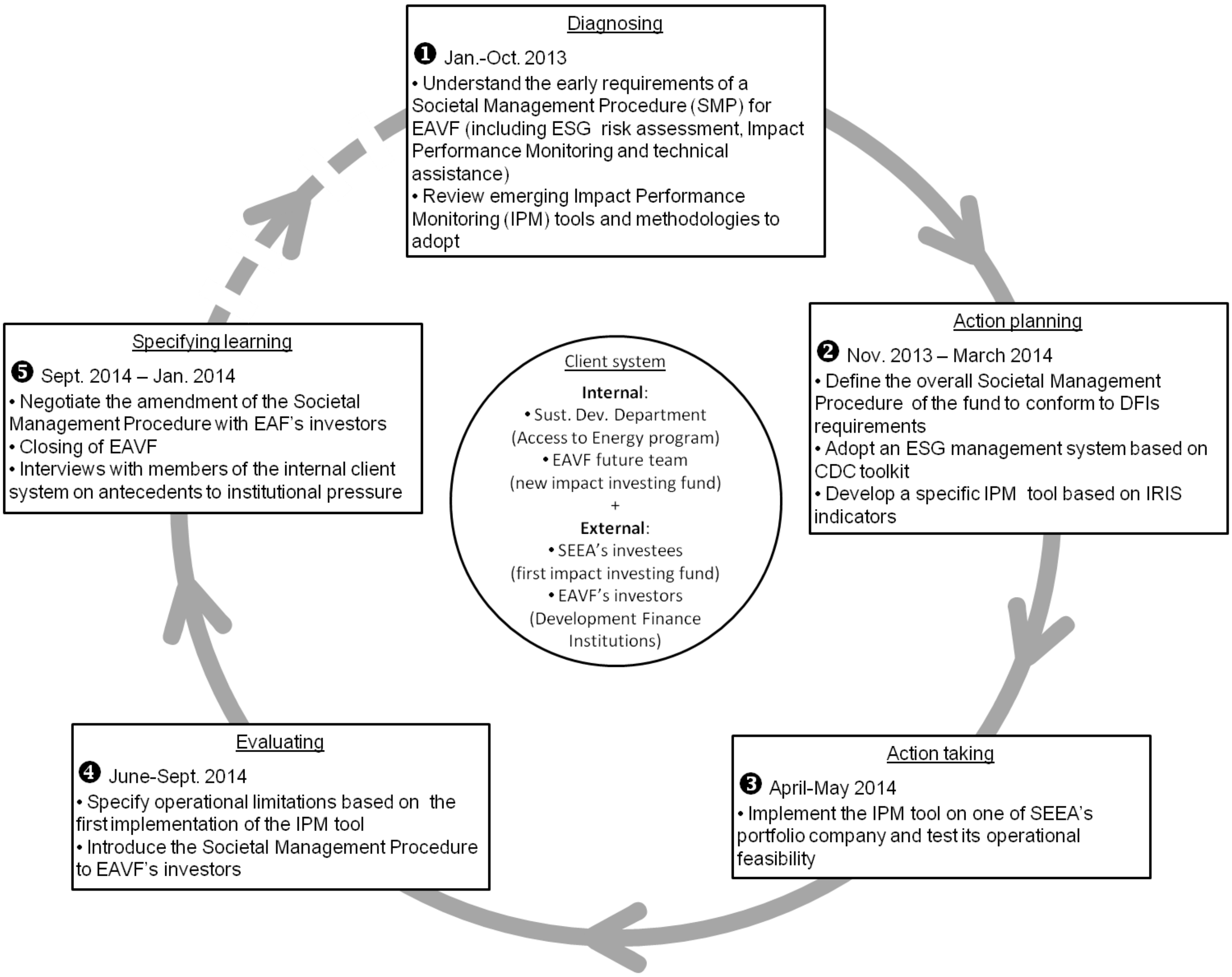

Figure 3.4: Cyclical process of action-research

The cyclical process of the action-research started with the understanding of the need for a new impact investing fund to integrate a Societal Management Procedure within its investment procedure. This preliminary question rose with the anticipated requirements from Development Finance Institutions (DFIs) that could become the co-investors of the fund alongside Schneider Electric. A review of the stakes for an impact investing fund to manage its societal value creation highlighted the requirement to adopt an ESG management system and to develop a specific Impact Performance Monitoring (IPM) system related to the mission and the sector of the fund.

The IPM tool would permit the investment managers to estimate ex-ante the societal benefits of a potential investee, to track the fund's societal performance from its actual investment until the exit and to report to their own investors and community at large. Once the IPM tool had been designed, a first experimentation was conducted with one of the portfolio companies of the first fund, active in Uganda. Based on the theoretical methodology and the learning of the experimentation, the fund managers presented the overall procedure to its potential investors. Negotiations started from this point in order to take into account the requirements of the funds' potential investors while remaining operationally pragmatic for the future managers of EAVF and for its investees.

The remaining of the paper is built on an in-depth case study methodology (Eisenhardt & Graebner, 2007; Yin, 2009) that focuses on the perceived antecedents from EAVF on the strategic responses to the institutional pressures to conform to societal performance management. The case study is exploratory (Yin, 2009). Hypotheses and data were either directly obtained or created through exchanges with the client system (Susman & Evered, 1978). Throughout the different phases of action-research, methods of data collection included the study of internal documents, the production of research notes and presentations, and the development of EAVF procedures. An important time was dedicated to informal exchanges with members of both the Sustainable Development direction and the EAVF future team and for which minutes were written down in a research logbook. The methodology also relies on participatory and deliberative meetings gathering members of both the internal and external client system. Each meeting's purpose was structured and submitted ex-ante to participants and the discussions were synthesized and collegially shared ex-post. These notes aimed at generating knowledge with the client system, especially during the negotiation phase. Finally, five semi-structured interviews were conducted with managers or directors related to EAVF, which allowed for the completion of the analysis based on Oliver's framework. The semi-structured questionnaire is depicted in Appendix. A literal transcription of the recorded interviews permitted a consistent use of the data.

4 Research findings on responses to institutional pressures

The following part describes the managerial perceptions of institutional antecedents of adopting a Societal Management Procedure. All participants of this research adhered to a combination of adopting an existing ESG management system from the CDC group and developing a specific Impact Performance Monitoring system mainly based on the IRIS catalog of indicators. Table 3.2 summarizes the characterization of each of the five antecedents and their predictive factors.

Table 3.2: EAVF Managerial perceptions (in bold italics) of institutional antecedents of SMP

Predictive Factor	Acquiesce	Compromise	Avoid	Defy	Manipulate
Cause					
Legitimacy	***H***	L	L	L	L
Efficiency	H	***L***	***L***	***L***	***L***
Constituents					
Multiplicity	***L***	H	H	H	H
Dependence	***H***	***H***	M	L	L
Content					
Consistency	H	***M***	***M***	L	L
Constraint	L	***M***	H	H	H
Control					
Coercion	***H***	M	M	L	L
Diffusion	H	H	***M***	L	L
Context					
Uncertainty	H	H	H	***L***	***L***
Inter-connectedness	***H***	***H***	M	L	L

L = Low, M = Moderate, H = High

4.1 Perceptions of cause: legitimacy and efficiency

Legitimacy – The participation of EAVF in a Societal Management Procedure seems mostly and primarily driven by salient legitimacy. Directly linked with its inner societal mission, a respondent stipulates that "The fund has been created to get an impact" and that it is "clearly for this reason that DFIs came as co-investors". Tracking, reporting and improving its societal impact aim at validating the fund's societal objective and at promoting its credibility. In the words of one of the managers interviewed, "alignment with this procedure first helps us to make sure that our investees have a positive impact. Then we can report to our own investors that are quite cautious about the developmental role of their assets." Another participant stipulates that "this procedure will help us to objectify our capacity to deliver societal returns." Reputation, status, or image has not been stated as a primary concern for EAVF managers. However it is noteworthy that at the origin of this project, Schneider Electric – the sponsor of the fund – inscribed EAVF in the continuity of its CSR strategy and its existing Access to Energy program. In that sense, an investment manager recognized that "this impact investing fund has been identified by Schneider as an innovative tool to contribute to the development of populations and to position itself as a leading actor in the energy access space".

Efficiency – The majority of the interviewees questioned the explicit contribution of the SMP to economic gains or economic rationalization. While they have no track record yet to testify for such economic benefits for the investees – and therefore the fund – we might notice two possibilities. On the one hand, societal management systems might imply serious costs and time for the portfolio companies in the short term. One manager stipulates “These are complex procedures that could affect negatively the profitability of the ventures.” On the other hand, portfolio companies could benefit from the SMP reports in the midterm, provided that they testify for a positive societal value creation. In that sense, one of the participants highlights that “access to specific developmental funding, grants or preferred loans will inherently contribute to the financial strength of the portfolio companies”. Similarly, managing and mitigating ESG risks is acknowledged by most of the interviewees to increase the economic stability of the ventures in the long-term.

It is thus fair to characterize the perceptions of these institutional antecedents as high in relation to legitimacy and low in relation to efficiency as illustrated in Table 3.2.

4.2 Perceptions of constituents: multiplicity and dependence

Multiplicity **–** The actors requiring for the fund to adopt a Societal Management Procedure remain relatively limited to the Development Finance Institutions that invested in it. One of the investment managers stipulates, “At the beginning there was a common aspiration between the DFIs to focus on social impact criteria rather than on the financial return.” While there is no standard for ESG management systems, one of the DFIs suggested using its own toolkit, which diminished the multiplicity of demands from the others. In regards to the Impact Performance Monitoring, the proposal to use the emerging standardized indicators from the IRIS catalog has been well received by the fund’s investors. However, most of the interviewees insisted on the diversified requirements in monitoring specific indicators from one DFI to another during the negotiation phase of the final Societal Management Procedure. Such a multiplicity on the number of compulsory indicators to report to each DFI presented some conflicting expectations in some of the domains of impacts that had to be measured. One of the participants states that “Every DFI has its own societal impact measures and indicators.” He explains further that “There has been a huge work to harmonize each of their requirements and at the end, the reporting is quite heavy.”

Dependence – It is clear that EAVF dependency to adopt a Societal Management Procedure is fundamental. The creation of a SMP that would meet the requirements of the DFIs appeared as a prerequisite to get their approval to invest in the fund. While there were no alternative solutions to complying with the DFIs requirements, this does not mean that EAVF team members did not discussed the final SMP. However, one manager admits, "we were in a process in which our capacity to negotiate was limited by our own willingness to close this fund.” Another participant states further, “Time will tell us if we solely must comply with the demands of the DFIs or if we can resist”. Nonetheless, the use of a sufficiently robust ESG management tool and standardized

IRIS indicators is acknowledged by EAVF members as being an advantage in terms of legitimacy for future external certification and rating.

Accordingly, the respective perceptions of these institutional antecedents are characterized as low in relation to multiplicity and high in relation to dependence as depicted in Table 3.2.

4.3 Perceptions of content: consistency and constraints

Consistency – All the interviewees considered a Societal Management Procedure to be very consistent with the fund's impact mission. Most of them posited that conformity to this demand was a natural extension given the fund's social aspirations. The SMP is fully integrated in every step of the investment procedure, from the initial screening to the exit strategy through the due-diligence phase and the post-investment monitoring. Moreover, the participants acknowledge the consistency of a great majority of the IPM tool indicators with the business activity of their future investees. However, fund's managers considered that some of the requirements of the DFIs would lead to an encumbering procedure. As a consequence, societal performance monitoring could become counter-productive for the investees and potentially hinder their business development activities. One manager characterized it in these terms, "We don't want a venture to be drowning in demands it might consider absurd. As an example, asking a company to track the incomes of each of its customers might be typically infeasible or even ethically inappropriate." This is also why the SMP focuses on impact performance indicators up to the outcomes that can be directly measured by the investees rather than evaluating the long-term social impacts per se.

Constraints – Negotiations took place when EAVF team and its investors had to agree on the final Societal Management Procedure to adopt. The relatively standard ESG management system that was chosen appeared to be easily incorporated in the fund's activities. On the contrary, the Impact Monitoring Performance system had to be created. Discussions during the negotiation phase mostly focused on it. The fund managers agreed with their investors on a compulsory list of key performance indicators that would be assessed periodically for every portfolio company. However, it was agrees that more complex reporting requirements specific to each DFIs would remain at the discretion of the fund managers on a bilateral basis. EAVF team also managed to leave the financial and operational responsibility of thorough social impact studies to the DFIs, should they be willing to get more accurate long-term evaluations. As an illustration, one of the interviewee states: "We are impact investors. We invest in business ventures whose job is not to conduct extensive sociological surveys on each of their customers". Another participant explains that "the fund will not be accountable for social impact evaluations. The fund will rather provide an opened analysis field for the DFIs".

Based on patterns of responses obtained, it is thus possible to characterize the perceptions of these institutional antecedents as moderate in relation to both consistency and constraints as illustrated in Table 3.2.

4.4 Perceptions of control: coercion and diffusion

Coercion – The compliance to the Societal Management Procedure, agreed during negotiations, is legally enforced through the contract signed between EAVF and its investors. EAVF team intends to apply and be accountable towards the DFIs for the overall application of the SMP within its day to day investment procedure. In the short to mid-term, the fund has an obligation of means in executing the SMP. It involves reporting on the activities of the investees and the fund respectively on a quarterly and an annual basis. In the long-term, the fund also has an obligation of outcomes, related to its both objectives of financial and societal returns. Not respecting those two obligations might be a reason for the DFIs to stop their periodic disbursements in EAVF when they would require additional assets to invest in new companies. One of the fund's managers compares the SMP as a "governance tool with all the means of pressures that goes with it, including potential sanctions for instance on our variable compensation."

Diffusion – While the diversity of methodologies in both ESG and IPM remains relatively low, no regulations require impact investing funds to adopt specific practices. Nonetheless, ESG systems are acknowledged to be diffused in the similar Socially Responsible Investment industry and tend to be applied in the impact investing one. Similarly, the IRIS catalog of indicators is considered as a potential standard. One of the participants highlighted that the "diffusion of standards remain relatively low, especially in the access to energy sector." Dwelling further on the implementation of the SMP, he explains: "we will have to demonstrate its acceptability, we will have to diffuse our practices and by this way we will set a precedent which will serve as a reference for our industry." It is also in that sense that the investment managers intend to certify their application of the Principles for Responsible Investments (PRI) on the ESG side of the SMP, or to be rated through the Global Impact Investing Rating Systems (GIIRS) on the IPM side of the Societal Management Procedure.

Therefore, we might characterize the perceptions of these institutional antecedents respectively as high in relation to coercion and as moderate in relation to diffusion as depicted in Table 3.2.

4.5 Perceptions of context: uncertainty and interconnectedness

Uncertainty – The emerging procedures and standard indicators for both the ESG and IPM systems are acknowledged by the fund's managers as being relatively stable. Most of the concerns about the uncertainty of the overall Societal Management Procedure remain on the IRIS catalog of indicators promoted by the GIIN. At the time of the final adoption of specific indicators within the IPM system, the IRIS catalog was in its third version. Most of the chosen indicators were slightly modified compared to previous versions of IRIS. One manager states that "the methodology today is not a standard but if it has to evolve it will never be a reconfiguration of our way of thinking."

Interconnectedness – Inter-connectedness is a salient aspect for the context of the overall Societal Management Procedure of the fund. First, EAVF will always co-invest with other impact investors as defined by its investment rules. This will require aligning its societal management procedure with other funds that are also seeking to mitigate ESG risks and improve the societal performance of their investments. Second, EAVF team will have periodic exchange on the SMP with its investors, and specifically the DFIs. Third, the participants acknowledge that the impact investing industry is still a rather small community of diverse actors that gather around the GIIN consortium. An investment manager highlights that the adoption of a relatively stringent and demanding procedure constitutes an advantage for anticipating its next evolutions. He further explains, "We will have the capacity to participate in the discussions and influence what will become a norm thanks to our deep experience in the energy access sector but also thanks to the legitimacy that we'll get from complying to the high levels of requirements from the DFIs."

Accordingly, the respective perceptions of these institutional antecedents are characterized as low in relation to uncertainty and high in relation to interconnectedness as illustrated in Table 3.2.

5 Discussion of the findings

The research findings attempted to gauge managerial perceptions from EAVF team members to conform to a Societal Management Procedure as depicted in Table 3.2. Admitting that the qualitative answers to characterize each antecedent might be subjective, it was nevertheless possible to detect rather low or high ranges based on the patterns of answers derived by the participants as well as on their precise rating of each dimension considered as low, moderate or high as illustrated in Appendix. Our research validates the theoretical framework of Oliver (1991) by challenging the central assumption of institutional theory that predicts passive conformity. They also complete the empirical work of Jamali (2010) by identifying empirical conditions under which pressures fail in their predicted effects.

5.1 From acquiescence to compromise with investors

Our case study reveals an evolution of EAVF strategic responses to institutional pressures, starting by acquiescing to conform to a societal management procedure and then trying to find a compromise. EAVF could not adopt any explicit standards that were neither shared within the impact investing industry nor agreed between the fund's investors, namely the Development Finance Institutions. The findings rather suggest that *acquiescence* appeared first to EAVF as a natural strategic response to gain legitimacy. EAVF managers initially adopted a societal management procedure as a mean to conform to their own beliefs and values into their social mission (i.e. high legitimacy), to their investors' expectations in terms of accountability (i.e. high coercion), and to the emerging practices of the impact investing industry through the IRIS indicators (i.e. low multiplicity).

EAVF had to develop an Impact Performance Monitoring system aimed at tracking the changes induced by an investment. Adopting the logics of the development sector, the tool focuses on the inputs, activities, and outputs/outcomes – as defined by the OECD (2002). The IPM tool relies on a matrix of about a hundred key performance indicators gathered in a spreadsheet. Most of the indicators were chosen among the IRIS catalog as a mean to anticipate standardization and to facilitate reporting to the fund's investors and stakeholders. Figure 3.5 synthesizes the IPM tool developed by EAVF team during its acquiescence phase to conform to a societal performance management procedure. Included into the fund's overall investment procedure, the tool is first adapted to each portfolio company in order to better fit with the specificity of their activities. During the due-diligence process, a baseline assessment is performed to fill all the indicators. Then, an annual assessment of the investees' activities reviews their main social outcomes related to the promotion of access to energy as a basis for development; economic outcomes in developing local economic activities; and environmental outcomes related to the mitigation of the impact of the company on the environment.

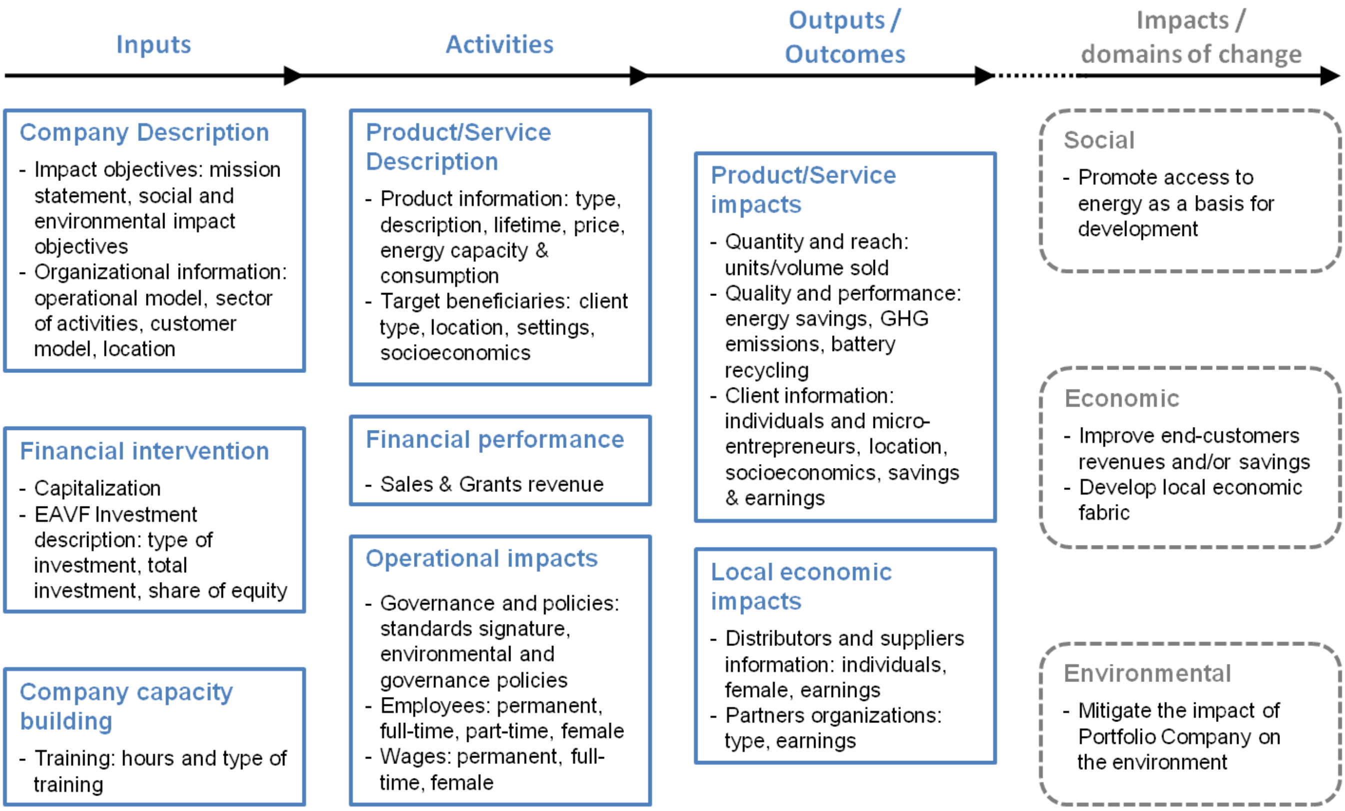

Figure 3.5: EAVF Impact Performance Monitoring tool

In a second phase, EAVF searched for a *compromise* as a strategic response to the DFIs' pressures. The negotiations that took place between the fund and its investors led to inter-organizational arrangements focusing on the Impact Performance Monitoring (IPM) component of the SMP. The fund's managers discussed the relative complexity of the procedure based on their first implementation. They considered it could hinder the business development activities of the portfolio companies, thus potentially limiting the capacity of the investees to generate profits (i.e. low efficiency). The complexity to run the procedure could also imply an arbitrage in the time conceded by the fund's managers to support each of the investees (i.e. moderate consistency). The non-homogenous requirements from each DFI opened a space to negotiate what would be compulsory to report and at what periodicity (i.e. moderate constraint).

The initial Impact Performance Monitoring tool has been well received by the DFIs. Nevertheless, each of them imposed new indicators related to their own reporting requirements. Moreover, while the initial IPM tool was meant to capture the generic impact performance, some of the DFIs required that indicators would be developed for every product that the company might offer to their end-customers. It was agreed that this would be performed only for the products the most sold to limit the complexity. As per the robustness of the impact performance analysis, two DFIs imposed that baseline assumptions would be documented through ad hoc field surveys if the portfolio company could not provide justification. The EAVF team pinpointed the high cost of such studies, for which the DFIs accepted to bear the cost. Finally, an exact list of indicators was agreed to be compulsory reported, adding a quarterly tracking of a limited number of indicator. While EAVF managers acknowledged their dependence towards the DFIs that somehow limited their bargaining power, they recognize that such a demanding procedure could grant them greater legitimacy towards external rating and certifying bodies. Table 3.3 describes the evolution of the Impact Performance Monitoring system agreed after the negotiation phase with DFIs.

Table 3.3: Evolution of the IPM system after the compromise phase

	Acquiescence phase	Compromise phase
IPM tool	- Generic indicators to track the overall results of the portfolio companies	- **Indicators disaggregated by main products commercialized** by the portfolio companies - **New indicators** requested by DFIs (e.g. number of products returned for replacement, Levelized Cost of Energy, electricity capacity installed...)
IPM system robustness	- Estimation of the assumptions based on existing surveys and studies at the national or regional level	- **Documented proofs of the assumptions**, based on ad hoc surveys conducted on investees' target customers (borne by DFIs when not existing) (e.g. income profile of end-customers, GHG emissions replaced)
IPM procedure	1. Baseline assessment during due-diligence 2. Annual assessments	1. Baseline assessment **with documented assumptions** during due-diligence 2. **Quarterly report** to DFIs on 5 key performance indicators (e.g. number of products sold, number of new access, poverty level and settings of customers, number of products returned for replacement) 3. Annual assessments

5.2 A risk to avoid societal accountability

Yet the findings also suggest that the contractual SMP procedure can blend in practice with different aspects of resistance – i.e. avoidance, defiance or manipulation. In a near future, there is a potential risk for EAVF managers to *avoid* the DFIs requirements, once they will have sufficient investments experience. As one of the managers stipulates, "Managing the societal performance of the fund requires a full time position that we cannot afford today. I believe that the reality of the field will impose us some shortcuts compared to an ideal implementation of the SMP." This could lead EAVF to adopt a symbolic conformity – or in other words to conduct decoupling (Meyer & Rowan, 1977) – by giving only ceremonial commitment to its societal performance monitoring and reporting requirements. The risk in such decoupling would be to impregnate the fund with a "social identity" in response to institutional pressures from its investors and its stakeholders at large. This would be comparable to a "green washing" attempt as pinpointed by Hamilton and Gioia (2009). Creating a "legitimacy façade" increases the risk to enable the institutionalization of misconduct and precipitate a loss of external legitimacy (MacLean & Behnam, 2010). Nevertheless, the inter-organizational arrangements will continue to be discussed throughout the fund's lifetime due to the resource dependency with its investors. EAVF managers consider that the tradeoff between gaining legitimacy and keeping autonomy will be facilitated thanks to periodic discussions and renegotiations of the DFIs' requirements.

5.3 Balancing societal and financial management

Finally, the research findings discuss the observation of incompatible institutional demands in social enterprises and hybrid organizations (Pache & Santos, 2010, 2013). We might indeed highlight a conflict – or a delicate balance – between profit and societal value creation objectives for the investment managers. Similar to the fund's hybrid logic, portfolio companies have to deliver both societal results and financial profitability. The Societal Management Procedure integrated within the overall investment procedure of the fund consists in a novel form of practices meant to handle such tensions. One manager explains, "We will have to dedicate significant amounts of time and money to ventures that do not deliver societal impacts. But these resources will never be as high as the ones we will have to dedicate to ventures that ensure the fund to reach its financial objective. Generally speaking, the profits you made on one side can compensate the losses on the other." In that sense, we could characterize EAVF managers as finance-first investors (Freireich & Fulton, 2009). Such a concern highlights a potential tradeoff from EAVF managers to support their investees either on financial or societal value creation. Nonetheless, the fund's managers recognize that they embed two logics that are potentially conflicting although not incompatible. As an illustration, one of the fund's managers explains, "honestly today as an impact investor, I am considered as a capitalist when I am discussing with NGOs and as an activist when I am discussing with venture capitalists. But we are a new category of players that are capitalists-activists, or the opposite, it's doesn't matter. In fact, those are not contradictory opposites." These findings reveal the actual development of "blended hybrid arrangements" (Greenwood et al., 2011, p. 352) within EAVF that can indeed face conflicting logics but not incompatible ones (Battilana & Dorado, 2010; Reay & Hinings, 2009).

6 Conclusion and suggestions for further research

The paper considers impact investing as a research stream within the social innovation field. As hybrid organizations, impact investing funds face two dominant and co-existing institutional logics, namely an investment logic and a development logic. Prior theoretical work and empirical observations on this shared value creation objective are lacking for this nascent industry in particular, and for MNCs' corporate responsibility in general. The paper therefore builds onto an action-research partnership with Schneider Electric and mobilizes strong primary empirical data through a case study of the creation of its Energy Access Ventures Fund. Traditional prejudices against case study methods rely on the limited ability to generalize the findings. We acknowledge that they are tied to the impact investing fund we studied. The single case study method however allowed us to explore the phenomenon in-depth. It reveals the development of internal processes – taking the form of a fully integrated societal management procedure – that facilitates the balance between potentially conflicting logics that are no longer considered incompatible.

We wanted to understand how impact investing funds are building their accountability and legitimacy, and more specifically how they are responding to their investor's pressure to manage societal performance. The paper highlights the emergence of cycles of responses in a hybrid organization. The studied impact investing fund primarily consented to adopt emerging beliefs, values, norms and practices of its industry, motivated by a search for salient legitimacy. Building on the combination of institutional and resource dependence theory our findings provide empirical evidence for a more resistive answer to pressures beyond passive conformity. In a second phase, the fund's team faced the complexity to manage societal performance based on first field experimentations and on an increased number of reporting requirements from its investors. They considered it could hinder both the business development activities of the portfolio companies and the overall capacity of EAVF to support them. As a consequence, the fund's team searched for a compromise with its investors by negotiating a limited number of compulsory indicators to be reported periodically and an additional financial and skills support to conduct thorough impact evaluations. It is noteworthy that the fund's resource dependence with its own investors has greatly influenced – not to say prevailed over – the design of its societal performance management and accountability. The findings suggest that the control systems set by the DFIs over the lifetime of the fund appear as a watchdog for EAVF avoidance of societal performance management.

The study of an impact investing fund during its creation phase helps us to draw some guidelines and recommendations for social innovation actors.

First, and generally speaking, any social innovation ventures are accountable for societal impact, and this has already become a trendy topic among practitioners. Our case study underlines the possibility to develop societal performance monitoring tools rather than long-term impact evaluations. This type of approach is less costly and seems to better fit with business mindsets and routines of ventures targeting social issues. Adopting a performance-oriented approach would also indirectly support the business development activities of the investees, thus limiting their risk profile. As an illustration, performing socio-economic customer surveys helps to better understand and answer to specific social contexts. In turn, the company will improve its marketing actions as a mean to simultaneously maximize its social impact and secure its financial returns.

Second and more specifically pertaining to the impact investing industry, our case study calls for the emergence of standard metrics shared between social enterprises and impact investors. We further highlight that the practical monitoring of societal performance will be highly dependent on the expectations and requirements of the organization that will provide the resources to grow. Discussing and negotiating with its main financiers or stakeholders might therefore help aligning the organization's reporting practices. This would decrease the entry-cost of monitoring societal performance and lower the work load required to report to their investors.

Third, emerging economies' governments and international development finance institutions have been asked since more than a decade to adopt result oriented approaches in documenting the impacts of their policies and investments. As such, the emerging practices of the impact investing industry highlighted in our case study demonstrate promising bridges between private and public sectors.

Fourth, MNCs are increasingly involving towards the base of the economic pyramid as a continuation of their corporate responsibility. As such they are similarly struggling to balance societal and financial returns of their internal BoP initiatives. The processes illustrated in our case study provide some guidelines for MNCs to embed a performance-oriented measurement of societal value creation alongside financial one. Our case study of Schneider Electric and its impact investing fund highlights the opportunity for MNCs to infuse innovation internally by benchmarking business models that successfully balance societal and financial returns. Becoming an impact investor also helped the company to generate extra-financial returns such as image improvement by increasing its intimacy with Development Finance institutions.

Finally, our paper provides some avenues for further exploration. We have highlighted the design and the adoption of societal performance monitoring tools and processes within EAVF's overall investment procedure. Further research might study their potential feedback effects on the combined objective of creating societal and financial value. A first step would be to look at the way EAVF or other impact investing funds have appropriated in time their societal management procedures, how they balance their search for legitimacy while keeping autonomy, and whether they have contributed to the evolution of the practices in the industry at large by communicating or interacting with their own investors, co-investors, and stakeholders. Similarly to what has been observed for the Socially Responsible Investing industry (Arjalies, 2013), we might question the risk for financial performance management to prevail over societal one. Secondly, and beyond managerial considerations, an important question remains on the capacity of these impact investing funds – and their portfolio companies – to actually generate simultaneously positive financial and societal returns. Such a condition would ensure impact investing to survive in time. Related to the Corporate Social Performance stream of research, organizational performance could be further studied, especially on the capacity of business models to create societal value, and on the potential trade-off between societal and financial returns. A starting point could focus on economics works studying the complementarities between the various components of societal responsibility and financial performance (Cavaco & Crifo, 2014). This would further enrich and discuss the findings of the first study performed by Evans (2013) on sixteen impact investors, which suggest that contracting strategies enable a strong financial performance without sacrificing impact.

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Appendix: Questionnaire on institutional antecedents

Introduction:

We argue that impact investing is evolving in two types of “institutions”: an **investing** and a **developmental** institution, which both entail pressures to adopt specific values, beliefs, norms, rules and practices.
Our research question is to examine **“how an impact investing fund is responding to institutional pressures and more specifically to conform to a Societal Management Procedure (SMP)”**. By SMP we refer to both the ESG management system and the Impact Performance Monitoring system.
To answer this question we will scrutinize the **“antecedents”** of the pressure related to societal performance monitoring. Oliver’s (1991) framework describes 5 antecedents: cause, constituents, content, control and context.
You will be asked you to discuss / dwell on 10 of the antecedents’ dimensions **<u>and</u>** to characterize them as being low, moderate or high.

Questionnaire:

Cause

“Cause” antecedent answers **why the fund is being pressured** to conform to societal management procedure rules or expectations.

- <u>Legitimacy</u> Please characterize this dimension as Low, Moderate, High

Implication of adherence to SMP for the fund's legitimacy, status, or image and prestige? for reputation and risk management in the short and long-term?

- <u>Efficiency</u> Please characterize this dimension as Low, Moderate, High

Implication of adherence to SMP for the bottom line in the short and long-term? for economic gains, economic rationalizations, technical goals/standards, and/or efficiency in the broadest sense?

Constituents

"Constituents" antecedent characterize **who is exerting the pressure** on the fund.

- <u>Multiplicity</u> Please characterize this dimension as Low, Moderate, High

Implication of adherence to SMP in terms of patterns of demands or expectation vis-à-vis your fund (i.e. clear expectations/prescriptions, coherent norms, compatible demands)?
Implication of adherence to SMP for patterns of interactions with different national or international actors (please provide example)?

- <u>Dependence</u> Please characterize this dimension as Low, Moderate, High

Implication of adherence to SMP for your dependence on various external actors/organizations (e.g. certifying bodies, regulatory agencies, multilateral organizations)?
The discretion or ability afforded to comply with or resist the demand associated with SMP as well as the availability of other alternative standards?

Content

"Content" antecedent explains to **what norms or requirements** the fund is being pressured to conform.

- <u>Consistency</u> Please characterize this dimension as Low, Moderate, High

The degree of fit between requirements/stipulations of SMP and internal fund vision/goals/interests/and aspirations?
The extent to which the expectations of SMP are compatible with internal logic of operations, technical and economic standards, stewardship goals/aspirations?

- <u>Constraint</u> Please characterize this dimension as Low, Moderate, High

Implications of SMP for discretion, latitude and autonomy in decision making in relation to fund-environment relations?
The extent to which your fund has retained control in determining its decisions in key areas addressed by SMP?

Control

"Control" antecedent clarifies **how or by what means** the pressures are being exerted.

- Coercion — Please characterize this dimension as Low, Moderate, High

The extent to which SMP is considered to be equivalent to the force of law?
The extent to which compliance with SMP is considered to be highly punitive and strictly enforced?
The extent to which compliance with SMP is scrutinized by regulatory agencies?

- Diffusion — Please characterize this dimension as Low, Moderate, High

The extent to which the norms and expectations of SMP are considered highly diffused, supported, and accepted?
The extent to which the social validity of SMP is by now largely unquestioned, and it has acquired a rule like status in social thought and action?
Views of the number and characteristics of other funds that have adopted SMP, and the extent to which "the contagion of legitimacy" is salient?

Context

"Context" antecedent explains **what is the environmental context** within which societal performance monitoring pressures are being exerted.

- Uncertainty — Please characterize this dimension as Low, Moderate, High

The extent to which the organizational field of SMP is considered highly uncertain, and changes in the field to be rapid and not entirely predictable?
The extent to which there is a perceived need for increased security, stability, and predictability in relation to SMP diffusion patterns and institutionalization?

- Interconnectedness — Please characterize this dimension as Low, Moderate, High

The extent to which funds adhering to SMP feel inter-connected by values, norms, shared information, relational channels, and coordination mechanisms?
The extent to which adherence to SMP requires coordination and negotiation, regular exchange, and inter-organizational linkages?

CONCLUSION

The thesis is the result of collaboration with firms that pursue or have recently started Base of the Pyramid strategies. For about two decades of variable success implementations, the new case studies in the dissertation revisit these strategies in the light of Corporate Social Responsibility. This section offers concluding remarks on why and how Base of the Pyramid strategies interact with Corporate Social Responsibility. It finally addresses avenues for further research.

1 Why and how BoP interacts with CSR

1.1 BoP is CSR, and opens a full range of benefits

Base of the Pyramid initiatives are clear operational illustrations of corporate social responsibility activities for multinational enterprises that combine ethical, institutional and economical considerations. On the one hand, they share values and beliefs in the sense that economic and societal dimensions reconcile to benefit the corporation, its stakeholders and the society at large. On the other hand, their combined economic and societal value creation objectives remain difficult to manage, as no clear proof of a shared value creation has been described so far. From the corporation standpoint, the normative debate around where firms should position their inclusive business initiative in between a rather profit or societal maximization objective, might be left aside by assessing its actual outcomes. To that end, linking BoP with CSR highlights a multiplicity of benefits for the company beyond the sole generation of profits. Combining both research streams opens a full range of indirect business returns or extra-financial benefits that might be apprehended and valorized by managers to justify the conceded investments towards the management, or in other words its return on investment. Whereas financial measures once constituted the entirety of performance measurement, increasingly they are seen as one part of a set of metrics used to assess performance. The limited profitability of some BoP projects might therefore become legitimate provided that their mandate and expected outcomes are clearly understood. As illustrated in the first chapter, BoP projects at EDF or Veolia Environnement providing respectively access to energy and water for underprivileged populations reached their own legitimacy. Indeed, these BoP projects are embedded into bigger public service delegation contracts that cover their limited profitability while supporting them to gain a license to operate. Similarly, support provided by Danone to social businesses through the danone.communities fund is rather meant to stimulate internal innovation and to infuse new competencies within traditional business units, while improving its external image of a responsible company.

1.2 BoP as business as usual: managing scale and profitability

Despite their inclusion in CSR strategy, BoP initiatives remain a business for MNCs. This implies two simple but critical successive internal factors. First, BoP products and business models are meant to answer a need or at least a demand. Meeting low income end-customers expectations is a prerequisite to reach significant volumes of sales and to be further considered internally as a business opportunity. Innovation in terms of technology and business models has been highlighted in the literature as critical during this demonstration phase. This requires a patient capital perspective similar to an investment in R&D and for which CSR provides a breeding ground. Second, one might say that the whole point for a BoP initiative implemented by a multinational corporation is to become actually multinational. Scale appears as one – not to say the first – criterion to assess the success of BoP strategies. This ambition is illustrated in first chapter as many MNCs like Danone, Essilor, Lafarge or Schneider Electric communicate externally on their commitment to reach millions of low-income households through their BoP projects. Therefore, once the BoP initiative has reached significant volumes of sales, the focal point of value creation will shift from stakeholders to shareholders. The inner purpose of the company which remains to be economically profitable will influence the way BoP can scale-up. The second chapter illustrates the need to transition towards business as usual operations to reach scale by relying on the internal capabilities of the multinational corporation. As such BoP initiatives will have to adopt the routines and procedures of the company. In the case of Schneider Electric, the commercial pillar of the Access to Energy program is currently assessed on its capacity to grow profitably rather than on its actual margin. Therefore transitioning the BoP program towards a traditional business unit requires the management team to pay careful attention on two aspects: first, on the capacity of local operations to absorb such a patient capital and innovative business approach that might be in opposition with their current routines and short term perspective; and secondly, on the revenue model of the BoP business for which the financial returns are currently lower than traditional lines of business.

1.3 Legitimacy at the BoP: managing the societal performance

Whatever the objectives in terms of scale and profitability of BoP initiatives, MNCs communicate broadly on their societal value creation as an intention to improve their external brand image and reputation. As such, firms engage their own legitimacy and risk being accused of "green" or "social washing". This social capital benefit needs to be carefully managed on a pragmatic and transparent basis. Therefore, MNCs need to be accountable towards their stakeholders on the social value creation. Monitoring and evaluation techniques for development programs that emanate from international organizations might appear inappropriate from a corporate perspective in terms of cost, time and competencies, especially for long term social impact evaluations. The third chapter however provides practical illustrations for firms and their BoP initiatives to integrate back the practices of societal performance management. International development institutions mobilize the logical framework which describes the successive steps between the inputs provided to an intervention and their direct results and outcomes. Such a result-based management approach is similar to the latest corporate social performance frameworks, and thus is aligned with the business routines and mindset of firms' managers. In this context of developing greater accountability on societal and extra-financial performance, CSR departments remain essential in the governance of BoP programs, even – or especially – if they are meant to become business as usual activities.

2 Suggestions for further research

The new case studies generated through applied research contributes to better understanding the interaction between BoP and corporate social responsibility in terms of strategy, organization, management control and outcomes. However, this only goes half way to understanding the internal viability of the BoP proposal, especially when CSR is itself integrated into the core strategy of the firms thus opening BoP to a potential mainstream business. Similarly, the external legitimacy and broader efficiency of MNCs that step in the global development agenda requires further research.

2.1 Managing the internal scale up of a shared value creation strategy

From a corporate standpoint, the dissertation addresses possible business cases for BoP that helps justifying the conceded investments. The basic conceptual framework we propose could be further examined through a greater number of MNCs' case studies in order to refine the theoretical construct. The multiplicity of economic value creation that are associated to each business cases goes beyond the sole search for profit: gaining a license-to-operate and increasing intimacy with business partners; improving the general brand image; motivating employees and attracting new talents; screening or incubating innovation. These diversified streams of value creation happen at different time frames and potentially interact one with another. This implies a need to apprehend a large number of relevant variables to measure them. This increased complexity will require significantly more testing and data. Further descriptive studies are needed to examine how managers build these arguments for instance either more qualitatively or quantitatively, and using what tools and processes (Weber, 2008). A major challenge in further researching corporate societal performance is to work through this complexity and to describe different business cases paths that incorporate market and non-market strategies.

The study of Schneider Electric's Access to Energy program shows the internal barriers to reach business as usual operations. The period covered over the longitudinal field study however could not apprehend the final transition of a BoP program into a mainstream business. It is very likely that its shared value creation concept will continue over time. Thus, it would be interesting to further investigate how this equation of a double economic and societal value creation will be managed. While the financial results are clearly measured and already integrated into the firm's routines, we might wonder how extra-financial returns will be assessed and valorized by the different levels of management. On the societal side, we have highlighted the possibility to integrate back social performance monitoring. An important question remains on the acceptability from business operations to apprehend this rather new and external type of value creation. Similarly to what has been shown in the dissertation, management control systems will play a key role in adapting mindsets and aligning behaviors with the strategy of a BoP business across the whole company. However, prioritizing a "business case" approach might be in opposition with poverty reduction. Indeed, while there is some debated evidence that environmental standards are associated with better financial performance, there is no proof yet to support that a similar relation exists between BoP activities to reduce poverty and profitability. There is a need to better understanding the proper blend, the tradeoff and the potential tensions between economic and societal value creation that will be acceptable to the MNCs.

Pursuing this line of thought one stage further, and if BoP initiatives become a mainstream line of business, we might wonder how a BoP initiative could influence the broader strategy of the firm. The case of Schneider electric illustrates a shift in 2008 when the company integrated environmental stakes such as the global energy dilemma into its strategy. This CSR concern translated into a new value proposition to help customers improve their energy efficiency, and the development of new products, services and competencies. While the company historically focuses on premium markets, BoP business might open a new market segment for the company. This might impact the overall strategy of the company, as it has been observed at Danone and Essilor, which specifically address low-income market segments in their mission statements. It would be interesting to further identify managers' key economic arguments used to drive corporate sustainability management internally. A related question is until what level of sales BoP initiatives with somewhat limited profitability will continue to be supported, especially under a traditional profit maximization perspective.

2.2 Measuring the external societal outcomes of BoP strategies

The first and third chapters discuss the way social impact can be apprehended and measured by BoP managers. Focusing on an MNC perspective, the dissertation illustrates a rather opportunistic vision of societal performance management as aligned with the business case for CSR: firms as EDF in the context of public-private partnerships implemented thorough social impact evaluations to be accountable towards their governmental partners; Lafarge and Schneider Electric set CSR indicators to broadly communicate on the number of people they have supported; EAVF impact investing fund negotiated with its own investors to build an in-house societal performance monitoring procedure. However inclusive business strategies are still an ethical proposal driven by the values and beliefs of managers willing to tackle social issues. One of their primary motives is to improve lives of low-income populations by mobilizing market-based approaches. Despite the fact that a growing number of scholars have questioned the role of business in poverty reduction (Banerjee & Duflo, 2007; Karnani, 2007), the actual contribution of BoP strategies to broader development remains largely unexplored (Jenkins, 2005). As stated by Davidson (2009), "for large, multinational firms there is always the threat that such engagement – not as charity but as a profit-making enterprise – will be perceived as exploitation and manipulation of unsophisticated and poorly educated consumers."

First, MNCs should be developing social impact assessment to avoid reputational risks. One can notice a proliferation of techniques and methods offered to MNCs in order to monitor and valorize social impact. Researchers as Duflo popularized microeconomics studies such as random control trials (RCTs) used in the development sector to test interventions (Duflo & Kremer, 2003). RCTs have been mobilized by MNCs such as Veolia Environnement in Morocco to test the efficiency of their market-based water distribution model (Devoto, Duflo, Dupas, Pariente, & Pons, 2011). However, such experimental studies require significant amount of time, money and competencies which tend to limit their replication across MNCs. Moreover, while a segmentation of the populations involved in RCTs between control and test groups raises ethical questions, it first appears to be in opposition with firms' willingness to increase its customer base. Considering the broader understanding of poverty shifting from an income perspective towards a multidimensional approach in the sense of Sen (1992) further research could apprehend the impacts on capabilities of low-income populations to be in good health, nourished, sheltered, or having self-respect and taking part in the life of the community (Crabtree, 2007). First attempts address "relational capabilities" to detail the quality of relationships among people and their level of relational empowerment. As an illustration, Giraud, Renouard, L'Huillier, De La Martiniere, and Sutter (2013) developed a Relational Capability Index (RCI) combining integration to networks, private relations and civic commitment dimensions, which was applied to measure the impact of oil companies on local communities in Nigeria. To a similar extent, Hahn (2012) started to theorize the influence of inclusive business approaches on various aspects of human rights and dignity. Another avenue for further research might focus on sector-specific social impact evaluations and performance monitoring methodologies. This would be in line with the diversification of the sustainable development goals (SDGs) or the multidimensional poverty index (MPI) introduced in 2010 which aggregates the living standards in terms of access to assets, land, electricity, water, sanitation and cooking fuels (UNDP, 2010). Access to finance and the microfinance industry testifies for a relatively long experience in assessing social impact that could influence other sectors (Hulme, 2000). Pertaining to the energy sector, Ilskog (2008a, 2008b) delineated an indicator-based framework to assess the sustainability of rural electrification projects. We do believe that there is further research needed to develop flexible and action-oriented tools and methodologies that would measure the actual social outcomes of BoP initiatives. This is also an opportunity for providing meaningful insights for managers to improve their expected long term impact in a performance-oriented approach.

Second, the creation of societal value emanating from multinational enterprises questions their role and position alongside traditional development actors like NGOs, development agencies and more specifically governments. On the later, legitimate critiques highlighted MNCs compensations for the withdrawal of state support for welfare provision to the poor (Arora & Romijn, 2012). MNCs entering the development sector might also compete with available financial resources traditionally intended for civil society organizations or more recently to social entrepreneurs. Further research might help understanding how BoP initiatives substitute themselves for public administration and whether they are capable of being ahead of the states. Considering the increasing intent from MNCs to grow in emerging economies, or their new positioning of direct investors into local small and medium enterprises as in the case of impact investing, it seems fair to better understand their impact on development. Looking at the rich international business literature focusing on the impact of foreign direct investment (FDI) on growth, it is surprising that the research on its direct impact on poverty is limited (Jenkins, 2005). Comparative studies might help understanding the difference between a traditional establishment of firms in emerging economies and a more proactive business development approach motivated by social and environmental considerations. More generally, one can notice the increased support from development communities for BoP approach being located at the intersection of business and development. As advanced by Chatterjee (2014) the narrative of the BoP proposal should be put in a critical perspective with the neoliberal rationality it presupposes. Analyzing the social costs and benefits of promoting market-based approach would help BoP initiatives to recognize its own limits in promoting development as well as confront the potential tensions between the objectives of profitability and poverty alleviation.

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Summary

For about two decades a number of Multinational corporations (MNCs) have developed strategies targeted towards low-income consumer with variable financial success. The dissertation revisits these strategies, known as Base of the Pyramid (BoP), in three essays. The first essay explores the underlying reasons for pursuing these strategies. It is shown that in some companies BoP initiatives have been relegated to philanthropic programs or simply dismantled, while in other cases they have repositioned their value proposition in the corporate social responsibility (CSR) strategy of the company. This logic opens a full range of financial and extra-financial returns to justify the conceded investments. The analysis is carried out through a case study over seven MNCs on fifteen years of experimentations. The second essay discusses the internal challenge for moving a BoP CSR initiative, somewhat protected, towards a business as usual profitable project for the company. This analysis is based on a longitudinal case study of Schneider Electric and its Access to Energy program over the years 2011-2015. The BoP initiative initially benefited from the reformulation of the CSR strategy along core values to face the global energy challenge. As the initiative developed, growth and performance objectives were assigned. The essay analyzes the corresponding process. The organizational barriers to successfully overcome this strategic change are identified and related to the management control in place in the company. The third essay addresses the accountability and legitimacy of BoP CSR activities through the analysis of the company's external involvement in the impact investing industry. It is shown that the investment management team of this external fund has developed the ability to make compatible potential conflicting institutional demands to simultaneously achieve profit and create societal value through the integration of performance-oriented management procedures.

Keywords: Base of the Pyramid, Multinational Corporations, Strategy, Corporate Social Responsibility, Extra-financial Performance, Impact Investing

Résumé

Depuis près de vingt ans, un certain nombre d'entreprises multinationales ont développé des stratégies ciblées en direction des consommateurs à faibles revenus qui présentent néanmoins des succès financier variables. A travers trois essais, la thèse revient sur ces stratégies dénommées à la base de la pyramide (ou BoP pour Base of the Pyramid). Le premier article explore les raisons sous-jacentes à la poursuite de ces stratégies. Il montre qu'au sein de certaines entreprises les initiatives BoP ont été reléguées à des programmes philanthropiques ou simplement démantelées, tandis que dans d'autre cas, elles ont repositionné leur proposition de valeur vis-à-vis de la stratégie de responsabilité sociale de l'entreprise (RSE). Cette logique ouvre un champ complet de retours financier et extra-financier pour justifier les investissements concédés. L'analyse est réalisée à travers une étude de cas sur sept multinationales sur quinze ans d'expérimentations. Le deuxième essai explore le défi interne pour transformer une initiative BoP RSE – quelque peu protégée – en un projet rentable plus traditionnel pour l'entreprise. Cette analyse est basée sur une étude de cas longitudinale de Schneider Electric et de son programme d'accès à l'énergie pour les populations qui en sont privées au cours des années 2011-2015. L'initiative BoP a d'abord bénéficié de la reformulation de la stratégie RSE alignée avec les valeurs fondamentales de l'entreprise pour faire face au défi énergétique mondial. Suite au développement de l'initiative, des objectifs de croissance et de performance lui ont été attribuées. L'article analyse les processus correspondants. Les obstacles organisationnels pour surmonter ce changement stratégique sont identifiés et liés au contrôle de gestion en place dans l'entreprise. Le troisième essai traite de la « redevabilité » et de la légitimité des activités BoP RSE à travers l'analyse de l'implication externe de l'entreprise dans le secteur de l'investissement d'impact. Il est démontré que l'équipe de gestion de ce fonds externe a développé la capacité de rendre compatibles des demandes institutionnelles, potentiellement contradictoires, qui visent à atteindre simultanément des objectifs de rentabilité et de création de valeur sociétale par l'intégration de procédures de gestion axées sur la performance.

Mots-clés : Base de la Pyramide, Entreprises multinationales, Stratégie, Responsabilité sociale de l'entreprise, Performance extra-financière, Investissement d'impact